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June 21, 2006

VIA UPS OVERNIGHT

Mr. Charles Terreni
Chief Clerk Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Docket No. 2006-4-G Piedmont Natural Gas Company – Annual Review of the Purchased Gas Adjustment and Gas Purchasing Policies

Dear Mr. Terreni:

Pursuant to 26 S.C. Code Ann. Regs. 103-869(C)(Supp.2006) and the March 13, 2006 Docketing Department letter establishing dates for prefiled testimony, enclosed please find an original and 26 copies each of the *Direct Testimony of David R. Carpenter and the Direct Testimony and Exhibits of Keith P. Maust and Ann H. Boggs on Behalf of Piedmont Natural Gas Company, Inc.* in the docket shown above. Please accept the original and 25 copies of each for filing and return the additional "filed" stamped copy of each in the enclosed self-addressed stamped envelope.

Thank you for your assistance with this matter. If you have any questions about this filing you may reach me at the number shown above.

Sincerely,

James H. Jeffries IV

Enclosures

c: Mr. Jeffrey Nelson, ORS
Mr. Scott Elliott
Ms. Jane Lewis-Raymond
Mr. David Carpenter
Ms. Ann Boggs
Mr. Keith Maust

RETURN DATE: OK post marked
SERVICE: OK 10 Duke

Research Triangle, NC
Charleston, SC

Before The
Public Service Commission of South Carolina

Docket No. 2006-4-G

Annual Review of Purchased Gas Adjustment and
Gas Purchasing Policies of Piedmont Natural Gas Company

Testimony
Of
David R. Carpenter

On Behalf Of
Piedmont Natural Gas Company, Inc.

Piedmont
Natural Gas
Company

June 21, 2006

Q. Please state your name and your business address.

A. My name is David R. Carpenter. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

Q. By whom and in what capacity are you employed?

A. I am employed by Piedmont Natural Gas Company, Inc., ("Piedmont") as Managing Director Regulatory Affairs.

Q. Please describe your educational and professional background.

A. I received a B.S. degree from Furman University in 1977. In 1983, I completed the requirements for and became a Certified Public Accountant in North Carolina. In 1980, I was employed by Deloitte, Haskins and Sells as a staff accountant, and I was promoted to senior assistant in 1981. I was employed by Piedmont in 1982 as Supervisor of Property Records and in 1990 was promoted to Manager of Financial Reporting and Property Records. I was promoted to Manager of Rate Administration in 1993 and in February 2003 was promoted to Director of Rates. I was recently appointed to my current position.

Q. Have you previously testified before this Commission or any other regulatory authority?

A. Yes. I have entered testimony before the Public Service Commission of South Carolina, the Tennessee Regulatory Authority and the North Carolina Utilities Commission.

Q. Are you a member of any professional associations?

A. Yes. I am a member of the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public

Accountants. I also serve on the Southern Gas Association's Rate Committee.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony in this proceeding is to support Piedmont's proposal to change the method by which it accounts for and recovers uncollectible gas costs.

Q. What are uncollectible gas costs?

A. Uncollectible gas costs are the upstream capacity and commodity costs incurred by Piedmont that are embedded in uncollectible customer bills.

Q. Please generally describe the changes that Piedmont is proposing in the method by which it accounts for and recovers uncollectible gas costs?

A. Piedmont currently recovers its estimated uncollectible gas costs in its base rates as an element of its overall cost of service. In this proceeding, Piedmont is proposing to remove uncollectible gas cost expense from its cost of service and requests that these costs be recovered in the future through Piedmont's gas cost deferred accounts.

Q. Why is Piedmont proposing this change?

A. Under the current approach to the accounting and recovery of uncollectible gas costs, a three year average estimate is utilized to project Piedmont's ongoing uncollectible gas cost expense. That number is included in the calculation of Piedmont's overall cost of service for purposes of the annual Rate Stabilization Act ("RSA") filing made by Piedmont on June 15, 2006 as required by the RSA. Because uncollectible gas cost expense is an estimated number calculated on the basis of Piedmont's last three years of experience, the amount of this expense included in Piedmont's rates does not accurately match the actual levels of uncollectible gas cost expense that will be incurred by Piedmont going forward.

Q. How are Piedmont and its ratepayers hurt by the existing method of calculating and recovering uncollectible gas cost expense?

A. To the extent that Piedmont's actual uncollectible gas cost expense varies from the proxy number included in its base rates, the Company either overcollects or undercollects this part of its cost of service. To the extent that the Company overcollects this expense, ratepayers are hurt because they pay more than they should to compensate Piedmont for this cost. To the extent the Company undercollects this expense, the Company is hurt because it receives less than the actual costs incurred for this expense.

Q. Is there any other reason prompting Piedmont's proposal?

A. Yes. Piedmont has experienced substantially increased variability in its uncollectible accounts over the last few years as a result of increased volatility in the wholesale costs of natural gas and prevailing higher prices. This variability increases the risk that actual uncollectible gas cost expense will vary materially from the estimated level included in Piedmont's base rates. There is no benefit to any party from this increased risk.

Q. Is the proposal to remove this expense from Piedmont's base rates and collect it through the gas cost deferred accounts a better alternative?

A. Yes. Under Piedmont's proposal, the Company would collect the correct amount of uncollectible gas cost expense – i.e. the amount of such expense actually incurred by Piedmont. As a result, neither the Company nor its ratepayers would be at risk. We believe that the recovery of Piedmont's actual level of uncollectible gas cost expense through the proposed mechanism is superior to collecting an estimated number that may be either too high or too low.

Q. Are there any risks to ratepayers from the change in uncollectible gas cost expense methodology proposed by Piedmont?

A. No. The proposed change simply replaces an estimated methodology with one based on actual expense levels.

Q. Is it possible for the Company to increase its margin from this change in methodology?

A. No. As is currently the case, the Company will remain at risk for recovery of the margin component of uncollectible accounts.

Q. What level of cost is represented by this proposal?

A. In Piedmont's recent RSA annual filing in Docket No. 2005-125-G, Piedmont included $867,769 of uncollectible gas cost expense in its cost of service based on the customary three year average methodology previously utilized by the Company and approved by the Commission.

Q. What will happen to those costs if the Commission approves Piedmont's proposed change in uncollectible gas cost recovery methods?

A. Piedmont will remove $867,769 from the cost of service filed in its RSA annual filing which will reduce the base rates that result from that proceeding. Going forward, the actual uncollectible gas cost expense incurred by Piedmont will be recorded in Piedmont's gas cost deferred accounts.

Q. Will this change in methodology require a change to Piedmont's tariffs?

A. No. All that Piedmont is requesting in this proceeding is Commission approval of a change in accounting methodology.

Q. Has this change in methodology been adopted in any other jurisdiction in which Piedmont operates?

A. Yes. The revised methodology for recovery of uncollectible gas cost expense proposed by Piedmont in this proceeding has been approved by both the North Carolina Utilities Commission (Docket Nos. G-9, Sub 499, G-21, Sub 461, and G-44, Sub 15) and the Tennessee Regulatory Authority (Docket No. 03-00209) and this methodology is currently being utilized in both States.

Q. Are the methodologies in use in North Carolina and Tennessee exactly the same?

A. Not exactly. North Carolina has approved the same methodology proposed here but the Tennessee methodology is slightly different. In Tennessee, the Company continues to recover a proxy level of uncollectible gas cost expense in its base rates but then credits/charges any difference between the proxy level of expense and the actual expense to the Company's gas cost deferred accounts.

Q. Does this lead to a different end result?

A. No. Under both methods, ratepayers are charged and the Company recovers actual uncollectible gas cost expense.

Q. Have any other States adopted uncollectible gas cost recovery methodologies similar to what Piedmont has proposed in this proceeding?

A. Yes. Ohio, Maryland, Utah, Wyoming, Maine, New Hampshire, Rhode Island, Massachusetts and Virginia have all adopted uncollectible gas costs recovery mechanisms that vary from the traditional cost of service approach currently in effect in South Carolina. While not all of these methodologies are identical to what Piedmont has proposed in this proceeding, they are similar in that they vary from the historic approach and are designed to more properly recover this type of expense.

Q. Does this conclude your testimony?

A. Yes.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that five copies of the attached *Testimony of David R. Carpenter on Behalf of Piedmont Natural Gas Company, Inc.* are being served this date via UPS Overnight upon:

Jeffrey M. Nelson, Counsel
Office of Regulatory Staff
1441 Main Street
Suite 300
Columbia, South Carolina 29201

And that one copy of the attached *Testimony of David R. Carpenter on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via UPS Overnight upon:

Scott Elliott
Elliott & Elliott, PA
721 Olive Street
Columbia, South Carolina 29205

And that one copy of the attached *Testimony of David R. Carpenter on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via U.S. Mail upon:

Jane Lewis-Raymond
Vice President & General Counsel
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

David Carpenter
Managing Director Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

This the 21st day of June, 2006.

James H. Jeffries IV

Before The
Public Service Commission of South Carolina

Docket No. 2006-4-G

Annual Review of Purchased Gas Adjustment and
Gas Purchasing Policies of Piedmont Natural Gas Company

Testimony and Exhibits
Of
Ann H. Boggs

On Behalf Of
Piedmont Natural Gas Company, Inc.

Piedmont
Natural Gas
Company

June 21, 2006

Q. Please state your name and business address.

A. My name is Ann H. Boggs. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

Q. What is your position and what are your responsibilities with Piedmont Natural Gas Company ("Piedmont")?

A. I am Director of Gas Accounting at Piedmont. In this position, I directly supervise and am responsible for the recording of all accounting entries relating to gas expenses and gas inventory.

Q. Please briefly describe your education and experience.

A. I graduated from the University of North Carolina at Chapel Hill with a Bachelor's Degree in Business Administration in December 1979. I was employed by the accounting firm of A.M. Pullen and Company until January 1983. In January 1983, Piedmont employed me as a Staff Accountant. In August 1986, I was promoted to the position of Supervisor of Gas Accounting, and in August 1987, I was promoted to the position of Manager of Gas Accounting. I was promoted to the position of Director of Gas Accounting in November 1993. I have testified in each Piedmont prudence case since this Commission established such proceedings. I am a Certified Public Accountant in the State of North Carolina.

Q. Please describe your responsibilities as Director of Gas Accounting.

A. My responsibilities include: recording the cost of gas on Piedmont's books, maintaining a proper match of revenues and cost of gas in Piedmont's income statements, recording Piedmont's margin in accordance with regulatory requirements in each of the three state jurisdictions in which Piedmont operates, verifying volumes and prices on all invoices relating to the purchase and transportation of natural gas, and recording customer escrow and gas inventory accounts. I am also responsible for the middle office functions related to the experimental hedging program implemented in South Carolina pursuant to Commission Order No. 2002-223 dated March 26, 2002.

Q. What is purpose of your testimony in this proceeding?

A. The purpose of my testimony in this proceeding is to assure the Commission that the current true-up procedures result in a properly stated cost of gas and that Piedmont's gas costs are properly recorded in compliance with Piedmont's Gas Cost Recovery Mechanism and Hedging Plan.

Q. Does the Commission Staff review your accounting for the cost of gas?

A. Yes. The Commission ordered Piedmont to maintain an account reflecting its gas costs each month, the amount of gas costs recovered each month, and amounts deferred each month. Piedmont maintains the account as required by that order and files a report with the Commission each month as required. The audit staff of the Office of Regulatory Staff has reviewed the activity in that account and the detail data supporting the accounting entries to that account. Effective April 1, 2002, Piedmont implemented an experimental natural gas hedging program pursuant to Commission Order No. 2002-223. This information is maintained in the Hedging Deferred Account and supporting documentation was provided to the audit staff of the Office of Regulatory Staff for their review. I have attached as exhibits the analysis of the South Carolina Gas Cost Deferred Account (Exhibit __ (AHB-1)) and the Hedging Deferred Account (Exhibit __(AHB-2)).

Q. Do Piedmont's independent auditors also review your recording of the cost of gas?

A. Yes. Piedmont's independent auditors thoroughly review the recording of our gas costs, at least quarterly, since cost of gas is the single largest expenditure on Piedmont's statement of income.

Q. In your opinion are the balances in Piedmont's Gas Cost Deferred Account and Hedging Deferred Account properly stated at March 31, 2006?

A. Yes.

Q. Is the Company requesting consolidation of the Hedging Deferred Account balance with the Gas Cost Deferred Account Balance?

A. Yes. We request that the Commission approve the transfer of the Hedging Deferred Account balance at March 31, 2006 to the Gas Cost Deferred

Account in order to consolidate the impact of the hedging program into the Gas Cost Deferred Account.

Q. Does this conclude your testimony?

A. Yes.

EXHIBIT__(AHB-1)

Piedmont Natural Gas Company, Inc. - South Carolina
Gas Cost Deferred Account Activity
Annual Prudence Review - Docket No. 2006-4-G
12 Months Ended March 31, 2006

Exhibit ____ (AHB-1)

	Beginning Balance	Billed vs Filed	Proration Adjustment	Demand True-up	Negotiated Losses	Sec Mkt Sharing	WNA	Interest	Annual Line Loss Adjustment	Supplier Refunds	Other		Ending Balance
Apr-05	(8,429,722.25)	(549,939.00)	288,805.00	537,370.00	(19,905.35)	(84,375.74)	(3,493.49)	(64,550.74)					(8,325,811.57)
May-05	(8,325,811.57)	(322,570.37)		(617,064.00)	(46,839.17)	121,456.00	(599.44)	(66,875.20)					(9,258,303.75)
Jun-05	(9,258,303.75)	70,722.00		(851,189.00)	(40,267.11)	348,221.00	(64.29)	(72,928.35)			78,393.00	(1)	(9,725,416.50)
Jul-05	(9,725,416.50)	(424,487.00)		(1,239,567.00)	(36,827.87)	586,855.00	(27.00)	(75,000.00)					(10,914,470.37)
Aug-05	(10,914,470.37)	(395,738.00)		(1,006,121.00)	(11,687.42)	645,623.00	10.02	(94,345.66)					(11,776,729.43)
Sep-05	(11,776,729.43)	(2,157,322.00)	(14,651.00)	(956,619.00)	(1,961.09)	489,829.00	(9.66)	(90,329.84)					(14,507,793.02)
Oct-05	(14,507,793.02)	(1,888,600.00)	(318,809.00)	(1,005,545.00)	(83,402.03)	115,190.00	(13.09)	(123,878.61)	632,670.00				(17,180,180.75)
Nov-05	(17,180,180.75)	(1,366,941.00)	9,299.00	(509,627.00)	(226,018.89)	228,375.00	(376,352.39)	(155,018.98)					(19,576,465.01)
Dec-05	(19,576,465.01)	5,677,729.00		735,739.00	(367,858.02)	393,473.00	609,100.27	(157,756.42)					(12,686,038.18)
Jan-06	(12,686,038.18)	(1,097,707.00)	(669,809.00)	1,292,878.00	(206,280.96)	303,288.00	(1,158,643.84)	(91,298.49)		78,029.94			(14,235,581.53)
Feb-06	(14,235,581.53)	(726,061.00)	(880,398.00)	937,900.00	(146,249.88)	205,099.00	(1,056,443.91)	(107,590.97)					(16,009,326.29)
Mar-06	(16,009,326.29)	536,607.00	438,428.00	407,384.00	(139,957.60)	242,220.00	(553,712.40)	(120,893.96)		45,994.14	19,980.00	(2)	(15,133,277.11)
						3,595,253.26							

(1) 2004 Annual Review adjustment - interest
(2) 2005 Annual Review adjustments

EXHIBIT__(AHB-2)

Piedmont Natural Gas Company, Inc. - South Carolina
Hedging Deferred Account Activity
Annual Prudence Review - Docket No. 2006-4-G
12 Months Ended March 31, 2006

Exhibit ___ (AHB-2)

	Beginning Balance	Premiums	Fees	Margin Requirement	Proceeds	Fees	Interest	Program Expenses	Other	Ending Balance
Apr-05	(598,053.03)				32,300.00	(760.00)	(2,943.66)	(454.85)		(569,911.54)
May-05	(569,911.54)						(4,936.45)	(454.85)		(575,302.84)
Jun-05	(575,302.84)	(327,710.00)	(3,420.00)		14,280.00	(240.00)	(6,397.74)	(454.85)		(899,245.43)
Jul-05	(899,245.43)	(345,720.00)	(2,240.00)		19,500.00	(240.00)	(9,346.68)	(2,370.25)		(1,239,662.36)
Aug-05	(1,239,662.36)	(344,400.00)	(4,100.00)		558,020.00	(1,240.00)	(12,322.07)	(514.45)		(1,044,218.88)
Sep-05	(1,044,218.88)	(340,200.00)	(3,160.00)		1,301,000.00	(1,680.00)	(7,069.59)	(454.85)		(95,783.32)
Oct-05	(95,783.32)	(367,000.00)	(1,900.00)		1,214,100.00	(1,480.00)	3,168.19	(395.25)		750,709.62
Nov-05	750,709.62	(360,150.00)	(1,760.00)		1,060,600.00	(1,520.00)	9,553.93	(454.85)		1,456,978.70
Dec-05	1,456,978.70	(275,400.00)	(1,640.00)		690,360.00	(1,520.00)	14,520.22	(395.25)		1,882,903.67
Jan-06	1,882,903.67	(242,660.00)	(1,580.00)				15,220.89	(395.25)		1,653,489.31
Feb-06	1,653,489.31	(335,400.00)	(4,540.00)	(309,630.00)			11,502.65	(395.25)		1,015,026.71
Mar-06	1,015,026.71	(185,500.00)	(1,920.00)	285,953.00	35,340.00	(1,240.00)	10,352.40	(59.60)		1,157,952.51

CERTIFICATE OF SERVICE

The undersigned hereby certifies that five copies of the attached *Testimony and Exhibits of Ann H. Boggs on Behalf of Piedmont Natural Gas Company, Inc.* are being served this date via UPS Overnight upon:

Jeffrey M. Nelson, Counsel
Office of Regulatory Staff
1441 Main Street
Suite 300
Columbia, South Carolina 29201

And that one copy of the attached *Testimony and Exhibits of Ann H. Boggs on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via UPS Overnight upon:

Scott Elliott
Elliott & Elliott, PA
721 Olive Street
Columbia, South Carolina 29205

And that one copy of the attached *Testimony and Exhibits of Ann H. Boggs on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via U.S. Mail upon:

Jane Lewis-Raymond
Vice President & General Counsel
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

David Carpenter
Managing Director Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

This the 21st day of June, 2006.

James H. Jeffries IV

Before The
Public Service Commission of South Carolina

Docket No. 2006-4-G

Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of Piedmont Natural Gas Company

Testimony and Exhibits
Of
Keith P. Maust

On Behalf Of
Piedmont Natural Gas Company, Inc.

Piedmont
Natural Gas
Company

June 21, 2006

Q. Please state your name and your business address.

A. My name is Keith P. Maust. My business address is 4720 Piedmont Row Drive, Charlotte, North Carolina.

Q. By whom and in what capacity are you employed?

A. I am employed by Piedmont Natural Gas Company, Inc., (Piedmont) as Director, Gas Supply and Wholesale Marketing.

Q. Please describe your educational and professional background.

A. I graduated from West Virginia University in 1976 with a Bachelor's Degree in Business Administration. I was employed by Tennessee Gas Pipeline for five years from 1983 to 1988 as an Analyst in the Gas Reserves and Gas Supply departments. I joined Piedmont as a Gas Supply Analyst in July, 1988. I was promoted to Manager of Gas Supply in 1991 and Director of Gas Supply in 1995. In 1996 I was promoted to Director of Gas Supply and Wholesale Marketing.

Q. Please describe the scope of your present responsibilities for Piedmont?

A. My current major responsibilities include supervision of long and short-term purchasing and scheduling of gas supply and gas cost management activities.

Q. Have you previously testified before this Commission or any other regulatory authority?

A. Yes, I have presented testimony in 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, and 2005 and appeared as a witness before this Commission in the matter of the Commission's annual review of Piedmont's Gas Costs and Purchasing Policies (Docket Nos. 97-007-G, 98-004-G, 99-004-G, 2000-004-G, 2001-004-G, 2002-004-G, 2003-004-G, 2004-004-G and 2005-005-G) and in the matter of Piedmont's approved hedging policy (Docket No. 2001-410-G). I have also presented testimony and appeared as a witness before the North Carolina Utilities Commission (NCUC) regarding Piedmont's gas purchasing policies and proposed hedging plan and presented testimony before the Tennessee Regulatory Authority (TRA) regarding Nashville Gas Company's Incentive Plan Account.

Q. Please give a general description of Piedmont and its market in South Carolina.

A. Piedmont is a local distribution company principally engaged in the purchase, distribution and sale of natural gas to more than 926,000 customers in South Carolina and North Carolina and the metropolitan area of Nashville, Tennessee. Piedmont serves approximately 129,000 customers in the State of South Carolina. During the twelve month period ending March 31, 2006, Piedmont delivered approximately 23,000,000 dekatherms (dts) of natural gas to its South Carolina customers.

Piedmont provides service to two distinct markets -- the firm market (principally residential, small commercial and small industrial customers) and the interruptible market (principally large commercial and industrial customers). Although Piedmont competes with electricity for the attachment of firm customers, once attached these customers generally have no readily available alternative source of energy and depend on natural gas for their basic space heating or utility needs. During the twelve month period ending March 31, 2006, approximately 13,802,000 dts, or 60%, of Piedmont's South Carolina deliveries were to the firm market.

In the interruptible market, Piedmont competes on a month-to-month and day-to-day basis with alternative sources of energy, primarily fuel oil or propane and, to a lesser extent, coal or wood. Larger commercial and industrial customers will buy alternate fuels when they are less expensive than gas. During the twelve month period ending March 31, 2006, approximately 9,346,000 dts, or 40% of Piedmont's South Carolina deliveries were to the interruptible market.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony will describe Piedmont's gas purchasing policies. This testimony is in response to the Commission's directive issued in Order No. 88-294 dated April 6, 1988 requiring ". . . annual public hearings . . . to review the Company's . . . gas purchasing policies" and in response to the Commission's Order establishing pre-filing deadlines in this docket.

Q. Will other witnesses offer testimony on Piedmont's behalf?

A. Yes. Ms. Ann Boggs, Director, Gas Accounting, will offer testimony to assure the Commission that Piedmont's gas costs have been properly stated and recorded in compliance with the Commission's regulations. Mr. David Carpenter, Managing Director Regulatory Affairs, will offer testimony supporting a change in accounting methodology for uncollectible gas costs.

Q. What is the period of review in this docket?

A. The review period is April 1, 2005 through March 31, 2006.

Q. Please explain Piedmont's gas purchasing policies.

A. Piedmont has previously utilized and continues to maintain a "best cost" gas purchasing policy. This policy consists of five main components -- the price of the gas, the security of the gas supply, the flexibility of the gas supply, gas deliverability and supplier relations. All of these components are interrelated, and we will continue to weigh the relative importance of each of these factors when developing an overall gas supply portfolio to meet the needs of our customers.

Q. Please describe each of the five components.

A. The "price of the gas" refers to the delivered cost of gas to Piedmont's city gate. In order to properly judge prices at a comparable transaction point, Piedmont evaluates purchase prices at the pipeline city gate points of delivery into Piedmont's distribution facilities. With the unbundling of the interstate pipeline industry, substantial flexibility exists in structuring gas supply arrangements. The majority of Piedmont's supply purchases take place at "pooling points" into the pipeline on which Piedmont holds firm transportation capacity rights. These "pooling point" supply purchases from producers and marketers include the commodity cost of gas at the pooling points and the fuel to be retained by the downstream pipeline transporter. Commodity transportation charges are also assessed separately by pipelines. Any "best cost" analysis that solely considered supply area or "pooling point" cost would fail to recognize the varying cost in fuel and commodity costs associated with transporting gas purchased from different supply area locations to Piedmont's city gate. In the case of "bundled" city gate supply purchases, Piedmont may pay the gas supplier an all-inclusive price that covers the cost of gas, fuel and transportation charges. Of course, peaking and storage services may add additional injection, withdrawal, and related fuel charges to the city gate cost of gas. All of these cost components must be taken into account in evaluating the "price of the gas."

"Security of gas supply" refers to the assurances that the supply of gas will be available when needed. Obviously, it is important to maintain a high level of supply security for Piedmont's firm customers who have no alternate fuel capability. Security of gas supply is less important for our interruptible customers who have access to alternate fuels. In order to reserve firm gas supplies under contract, fixed reservation fees are generally required in addition to the commodity cost of gas. In addition, the geographic source of supply, the nature of the supplier's portfolio of gas supplies (especially during critical conditions) and negotiated contract terms must be considered when evaluating the level of supply security. Thus, the security of gas supply is interrelated with the price of gas and the other components of Piedmont's "best cost" purchasing policy.

"Flexibility of gas supply" refers to our ability to adjust the volume of a particular gas supply as operating and market conditions change from time to time. For example, firm heat sensitive customers will vary their consumption depending on the weather conditions in Piedmont's service area. Interruptible customers will vary their level of purchase depending on the price of alternate fuels and the demand for product in their own industry. Thus, Piedmont must arrange a portfolio of gas supplies and storage service flexible enough to meet the daily and monthly "swings" in the market place. Contractual gas supply "swing rights" are implemented through periodic renominations with gas suppliers and through injections into and withdrawals from storage.

"Gas deliverability" refers to the ability to obtain Piedmont's gas supplies at the city gate through reliable transportation and storage capacity arrangements. The unbundling of the interstate pipeline industry has created a complex system of multiple pipeline services and service combinations. Transportation arrangements can involve supply area gathering services, intrastate transportation, interstate lateral line and pooling services, multiple interstate pipeline transportation and storage arrangements, and balancing and peaking services. The marketplace for pipeline capacity service is static, with little to no unused capacity available during period of design temperature conditions. Consequently, it is important that we secure and maintain transportation and storage capacity rights to ensure the deliverability of our gas supplies to meet the design day, seasonal, and annual needs of our customers. Of course, pipeline capacity contracts require the payment of fixed demand charges to reserve firm transportation or storage entitlements. Piedmont is active in proceedings at the Federal Energy Regulatory

Commission (FERC) not only with respect to the level of pipeline charges under these contracts, but also the tariff terms and conditions that apply to these pipeline services.

"Supplier relations" refers to the dependability, integrity and flexibility of a particular gas supplier. We contract with gas suppliers who have a reputation of honoring their contractual commitments and have proven themselves as reliable suppliers. Conversely, we avoid suppliers which have a reputation of defaulting on contract obligations or who unilaterally interpret contracts to their advantage. We prefer to deal with suppliers who are constantly looking for ways to improve service and offer "win-win" solutions for meeting customer needs.

Q. Please describe the arrangements under which Piedmont purchases gas.

A. Piedmont purchases gas supplies under a diverse portfolio of contractual arrangements with a number of reputable gas producers and marketers. In general, under Piedmont's firm gas supply contracts, Piedmont pays negotiated reservation fees for the right to reserve and call on firm supply service up to a maximum daily contract quantity (nominated either on a monthly or daily basis), and market-based commodity prices tied to indices published in industry trade publications. These firm contracts range in terms from one year (or less) to terms extending through October 2009. Longer term contracts typically provide for periodic reservation fee renegotiations. Some of these contracts are for winter only (peaking or seasonal) service and some provide for 365 day (annual) service. Firm gas supplies are purchased for reliability and security of service and are generally priced on a reservation fee basis according to the amount of nomination flexibility built into the contract (daily swing service being more expensive than monthly baseload service). When existing supply contracts expire, requests for proposals are sent, as needed, to suppliers meeting Piedmont's "best cost" purchasing policy requirements as detailed earlier in my testimony. Firm supplies are then contracted from suppliers whose proposals best fulfill Piedmont's "best cost" purchasing policy.

Piedmont also purchases gas supplies in the spot market under contract terms of one month or less. These contracts provide for little or no supply security in that they are interruptible and short term in nature. As a result, Piedmont relies on these contracts primarily for interruptible markets during off-peak periods when spot supplies are more abundant and for supplemental system balancing requirements. Because of the nature of spot contracts, these supplies do not command reservation fees and are priced on a commodity basis, generally by reference to industry index or negotiated prices.

Q. How does the interrelationship of the five factors described above determine the character of the supply and capacity contracts under your "best cost" policy?

A. Under our "best cost" policy, we attempt to secure and maintain a supply portfolio that is in balance with the requirements of our sales markets. Because our firm sales market must have a secure and reliable gas supply, we meet the needs of this market primarily with long-term firm supply and transportation contracts, supplemented by storage and peaking services. The temperature sensitivity of the firm market necessitates that flexibility of supply and storage also be provided. As mentioned earlier, firm supply contracts demand a premium payment, typically in the form of fixed reservation fees. Also, firm supply contracts with flexibility of swing service entitlements will command a higher price than baseload arrangements. Because our interruptible market is more price sensitive and requires less supply security, we supply this market with off-peak firm gas supply and transportation services when the core market demand declines and through the purchase of gas supplies in the spot market.

In short, before entering into any agreement to purchase gas or pipeline capacity, we carefully consider the use for the supply and weigh the five "best cost" factors (price, security, deliverability, flexibility, and supplier relations). Obviously, a great deal of judgement is required when weighing these factors. To help us exercise this judgement, we try to keep informed about all aspects of the natural gas industry. We intervene in all major FERC proceedings involving our pipeline transporters, stay in constant contact with our existing and potential suppliers, monitor gas prices on a real-time basis, subscribe to industry literature, follow supply and demand developments, and attend industry seminars.

Q. Please describe the Company's interest and position on any issues before the FERC that may have a significant impact on the company's operations and a description of the status of each proceeding described.

A. The Company routinely intervenes and participates in interstate natural gas pipeline proceedings before the FERC. A current summary of such proceedings in which Piedmont is a party is attached hereto as Exhibit__(KPM-1)

Q. What is your greatest challenge in applying your "best cost" gas purchasing policy?

A. Since most major gas supply decisions require a considerable degree of planning and must be made years in advance of service, our greatest challenge is dealing with future uncertainties in a dynamic national and regional energy market. In a perfect world, we would be able to accurately predict our future demand for gas, the future availability and pricing of gas supplies and capacity, and future regulatory policies. Of course, in the real world, we cannot accurately predict any of these factors. Future demand for gas is affected by economic conditions, customer conservation efforts, weather patterns, regulatory policies and industry restructuring in the energy markets. The future availability and pricing of gas supplies will be affected by overall demand, oil and gas exploration and development, pipeline expansion projects, and regulatory policies and approvals.

Q. Please explain the recent run-up in the commodity cost of natural gas and the Company's position regarding the current U.S. supply situation.

A. The United States has been struggling to avoid a gradual decline in natural gas production despite increases in drilling rig activity for the last few years, particularly in the gulf coast region. The gulf coast is a mature production basin, meaning the region has been extensively drilled by production companies for several decades. Therefore, all the "low hanging fruit", or easily found supply has already been or is currently being produced. Although this region will continue to be an important part of the country's natural gas supply portfolio, additional supplies from other areas will have to supplement declining gulf coast production for supplies to remain adequate and reasonably priced. Increases of supply from other sources including Rocky Mountain production and LNG imports have partially offset decreases in gulf coast production, but production from areas that are currently off-limits to drilling such as coastal waters and the development of pipeline facilities from regions like Alaska may be necessary for natural gas supplies to remain sufficient and competitively priced with alternate fuel choices.

Q. Has the increase in oil prices affected the price of natural gas?

A. Yes. Oil prices have continued to rise due to increases in global demand and political instability in many of the large producing regions of the world. The majority of our interruptible industrial load have the ability to utilize fuel oil as an alternative to natural gas. Because the cost of alternative fuel oil has remained high, most of our dual fuel industrial customers continue to choose natural gas as their fuel of choice, creating upward pressure on the cost of natural gas.

Q. Has electric generation fueled by natural gas affected the price of natural gas?

A. Yes. Last summer's hotter than normal weather and the resulting increase in electrical demand supplied by natural gas fueled generation added to the increased volatility and price of natural gas. As additional electric generation facilities fueled by natural gas continue to be built, it is only logical to assume that natural gas prices will be affected by the corresponding increased consumption of natural gas.

Q. Are there any other factors that contributed to the increase in price of natural gas?

A. Yes. The largest factors in the recent increase in natural gas prices were hurricanes Katrina and Rita. Hurricane Katrina affected natural gas production in the eastern part of the Gulf of Mexico and Hurricane Rita affected natural gas production in the western part of the Gulf, severely curtailing production by damaging or destroying production platforms, natural gas processing plants and pipeline infrastructure. To date in total, hurricanes Katrina and Rita have resulted in the loss of an estimated 785 Bcf of production, or approximately 22 percent of total yearly Gulf of Mexico production. Currently, an estimated 1.1 Bcf per day of production remains offline, and it is anticipated that a large percentage of that production will never be resumed due to high recovery costs.

Q. What process does Piedmont undertake to acquire firm capacity and supply to meet its growing market requirements?

A. Piedmont secures incremental capacity and supply to meet the growth requirements of its firm customers consistent with its "best cost" policy. To implement this policy, Piedmont attempts to contract for timely and cost effective supply and capacity. To acquire long-term expansion project capacity precisely in balance with our market growth profile is impossible due to many external factors beyond our control. The lengthy process of pipeline project development and marketing, environmental review, regulatory lag and construction lead-time, requires that major pipeline expansion projects be planned many years ahead of the target "in service" date. Unexpected events during this process can cause delay and uncertainty. To fill the gap between the in service dates of new expansion projects and to meet the requirements of our growing market demand, Piedmont may contract for temporary "bridge" services from various sources of supply and capacity.

Q. How does Piedmont calculate its customer growth?

A. The customer forecast process includes an overall assessment of national and regional factors (i.e., economic, demographic, etc.) within the existing and new residential and commercial natural gas local distribution markets served. An evaluation of the current historical and potential future trends is established based upon set assumptions to predict customer counts. In addition, discussions are held with employees that serve each market to better understand and analyze patterns indicating potential future events. Once customer growth is established, sales volumes are estimated using customary linear regression methods on consumption trends by customer class, based upon 30 year weather averages.

Q. What were the design day peak demand requirements used by the Company for planning purposes for the review period as well as the current forecasted design day demand requirements for the next four winter seasons, the amount of heating degree days, dekatherms per heating degree day, customer growth rates and supporting calculations used to determine the peak day requirement amounts?

A. Please see Exhibit__(KPM-2)

Q. Do the design day demand requirement amounts provided above reflect any demand from markets other than firm?

A. The design day demand requirement amounts provided above include only the firm market requirements.

Q. What were the estimated base load demand requirements of the firm market for the review period, as well as the current forecasted base load demand requirements for the next four years?

A. Please see Exhibit__(KPM-3)

Q. Please describe how Piedmont determines which type of resource should be acquired or developed for meeting the Company's forecasted deliverability needs and describe the factors evaluated in deciding whether the Company should acquire pipeline transportation capacity, acquire a storage service, or develop additional on-system storage deliverability.

A. In assessing the type of resource needed to meet Piedmont's deliverability needs, the Company attempts to minimize the per unit delivered gas cost. This analysis incorporates the commodity cost of gas and any transportation, storage costs and supplier reservation fees required to deliver gas to Piedmont's city gate, as well as the reliability and timing of new services. This generally results, to the extent possible, in a correlation of the duration of incremental demand with the days of service of the acquired resource, i.e. acquiring peaking services to meet projected peak day demand, storage to meet projected seasonal demand, and year round pipeline capacity to meet projected baseload demand. Piedmont also considers the possibility of changes in demand due to exogenous factors, such as changes in residential market demand (new housing starts) and changes in industrial market demand (energy prices and worldwide economic conditions).

Q. How does the Company determine the amount of incremental pipeline capacity that should be acquired for a whole year, the full winter season and less than the full winter season?

A. Piedmont evaluates interstate pipeline capacity offerings available at the time that it is determined that additional future firm delivery service is required. The company attempts to match the days of service of new incremental transportation capacity to the duration of its incremental demand on the most economical basis possible, with offerings evaluated on an equivalent unit basis. As explained earlier, Piedmont attempts to acquire peaking services to meet projected peak day demand, storage to meet projected seasonal demand,

and year round pipeline capacity to meet projected baseload demand and provide gas supplies for replenishment of storage inventories. However, service choices are generally limited to those offered during the period of evaluation. Moreover, swing supply contracting can sometimes complement transportation service and provide a competitive surrogate peaking service.

Q. Please describe the factors the Company evaluates in determining the characteristics of its storage service contracts, including the amount of gas that can be withdrawn and delivered on a peak day, the amount of gas that can be withdrawn and delivered during the winter season and the period during which the gas can be withdrawn.

A. Once a determination is made that a storage service is needed as described earlier, Piedmont's needs with respect to deliverability to and from storage are matched against available storage options as closely as possible. Storage service characteristics and limitations including the amount of gas that can be withdrawn and delivered on a design day, the amount of gas that can be withdrawn and delivered during the winter season and the period during which gas can be withdrawn are defined within the corresponding pipeline's tariffs that govern each particular storage service. Piedmont also evaluates other elements and limitations, such as refill ability, swing service options and storage ratchets that are also governed by the tariffs for each storage contract into its daily gas control operations.

Q. Please describe how the Company plans to supply its estimated future growth requirements during the next four-year period beginning with the 2006-2007 winter season.

A. Piedmont continually monitors interstate pipeline and storage capacity offerings in light of prospective growth requirements detailed in Exhibit__(KPM-2). Piedmont has executed new firm transportation and storage service contracts with Dominion Transmission Inc. (rate schedules GSS and FT-GSS) and Hardy Storage Company LLC/Columbia Gas Transmission (rate schedules HSS and TPS) to help fulfill its projected supply requirements for the next four years. As covered in last year's testimony, the Company will also have access to Rocky Mountain and Canadian supplies for the Carolinas out of the Chicago hub via new capacity arrangements on Midwestern Gas Transmission and East Tennessee Gas Pipeline.

Q. How does the Company plan to have adequate supplies available for its firm market supply requirements if it experiences normal or design day weather conditions?

A. The Company constructs load duration curves that forecast the Company's firm market supply requirements for normal weather conditions, design day weather conditions and design winter season conditions. The supply requirements are plotted in descending order of magnitude, with existing pipeline capacity and storage resources overlaid to expose any supply shortfalls. The load duration curves for 2005-2006 forecasted design winter season described above, as well as the actual 2005-2006 winter season load duration curve is shown in Exhibit__(KPM-4). The forecasted load duration curves for the 2006-2007 winter season are shown in Exhibit__(KPM-5).

Q. Does the Company plan for any reserve margin to accommodate statistical anomalies, unanticipated supply or capacity interruption, force majeure, emergency gas usage or colder-than-design weather?

A. Yes, the Company computes a five percent reserve margin and arranges for supply and/or capacity to provide delivery of the reserve margin for events such as those listed above. This reserve margin is reflected in Exhibit__(KPM-2).

Q. Please describe how the Company determines the daily contract quantity of gas supplies that should be acquired through long-term contracts for the whole year, the full winter season and periods less than a full winter season.

A. The Company prepares studies using load duration curves as mentioned earlier to model its firm supply requirements for an annual period, taking into consideration critical winter scenarios. Consideration is also given to situations that are less than critical to assure low load supply flexibility. The Company also utilizes a software package called "Gas Day" to assist in its daily forecasting requirements. The Company will purchase gas supplies on a year around basis to fulfill its firm requirements including storage injection and to minimize supply costs utilized to serve both firm and interruptible markets. Some of these contracts will escalate in volume during shoulder months and the winter period (November through March) as the Company's firm requirements increase due to colder weather, thus sculpting year around contracts to fit seasonal needs. The Company also purchases volumes for the winter period to match its firm transportation capacity entitlements, which also increase during the winter period. Finally, the Company may purchase short-term city gate peaking supply to fulfill additional firm obligations as the company experiences peak day firm demand requirements. The company reviews the warmest winter load duration curves to assure its ability to fulfill its contractual purchase commitments with suppliers.

Q. Please explain the factors that the Company evaluates in determining the pricing basis for its gas supply contracts. Please discuss the various pricing alternatives available, such as fixed prices, monthly market indexing and daily spot market pricing and describe how supplier reservation charges and discounts or premiums from market prices enter into the evaluation.

A. The Company has various pricing options available to it when developing its gas supply portfolio. These options include fixed pricing, monthly market indexing and daily spot pricing. Fixed pricing scenarios are addressed in the Company's hedging plan, which has been approved by the Commission. The reservation fee the Company pays for each contract in its firm supply portfolio is dependent upon the pricing options chosen and the supply flexibility requirements associated with each contract. Reservation fees are generally lower for base load supplies (purchased at a constant volume for the entire month) and higher if swing service is required. Reservation fees vary depending on the type of swing service being provided. Examples of factors which affect the cost of swing service are: a) the number of days of swing required; b) the volume of swing allowed; c) commodity pricing at first of the month indices versus daily spot pricing; d) first of the month keep whole pricing; e) intraday versus interday swing capabilities; and f) location of the supply being purchased. The Company considers its anticipated load factor and swing requirements under various weather scenarios, measuring the exposure to price fluctuations of the spot market and the factors listed above and makes a "best cost" purchasing decision.

Q. Please explain the provisions in the Company's gas supply contracts that allow or help facilitate future renegotiation efforts if future market conditions offer new opportunities and describe any contractual restraints that prevented the Company from obtaining full benefit of favorable spot market conditions during the review period.

A. All of the Company's supply contracts have market-based commodity prices tied to indices published in industry trade publications. These commodity pricing provisions allow the Company to obtain the full benefit of market priced gas. Supply contracts with terms in excess of two years would typically contain provisions for the periodic renegotiation of the monthly reservation fees for the right to nominate firm gas supplies.

Q. What process does the Company employ in selecting its firm gas suppliers?

A. The Company identifies the volume and type of supply that it needs to fulfill its market requirements and solicits requests for proposals (RFP's) from a list of suppliers that the gas supply department continuously updates as potential suppliers enter and leave the market place. As mentioned earlier, type of supply is classified as baseload or swing and firm or interruptible. Requests for proposals for swing supply may be further categorized into pricing based on first of the month indices, keep whole, or daily market indices. Swing supplies priced at first of the month indices command the highest reservation fees because suppliers incur all the risk associated with market volatility during the delivery period. Keep whole contracts require the Company to reimburse suppliers for the difference between first of the month index prices and lower daily market prices if the Company doesn't take its full contractual volume. Because the Company assumes the volatility risk associated with falling prices, a lower reservation fee is warranted. Lower reservation fees are also associated with swing contracts based upon daily market conditions because both buyer and seller assume the risk of daily market volatility. After forecasting the load factor of each individual contract and evaluating the cost of reservation fees associated with each type of supply and its corresponding bid, the Company makes a "best cost" decision on which type of supply and supplier to fulfill its needs.

Q. Please summarize any supply arrangements entered into by the Company during the review period.

A. During the review period the Company added 338,179 dts per day of new seasonal or year around supply utilizing its normal RFP process described earlier.

Q. Please describe the process that Piedmont utilized and the market intelligence evaluated during the review period to determine the prices charged for off-system sales.

A. The process and information used by Piedmont in pricing off-system sales depends upon the term of the sale, the type of sale and prevailing market conditions at the time of the sale. For long-term delivered sales (longer than one month), Piedmont solicits bids from potential buyers and awards volumes based on the bids received. For short-term transactions (daily or monthly) Piedmont will monitor prices and volumes on Intercontinental Exchange (Intercontinental Exchange or "ICE" is an electronic trading platform where potential buyers post bids and potential sellers post offers at various physical locations), talk to various market participants on the telephone and for less liquid trading points, estimate prices based on price relationships with more liquid points. The Company will also evaluate the amount of supply available for sale and weigh that against current market conditions in formulating its sales strategy (i.e., if Piedmont has a large amount of supply to sell on a particular day and determines that market demand is low, the Company will be more aggressive in its sales strategy. The Company incorporates all these factors and then initiates sales via "ICE" or over the telephone.

Q. Did Piedmont make any changes in its gas purchasing policies or practices during the period of review?

A. Piedmont did not implement any changes in its "best cost" gas purchasing policies or practices during the test period.

Q. Did Piedmont's Hedging Plan work properly during the review period?

A. Yes. The Hedging Plan (Plan) accomplished its goal of providing an additional tool to reduce gas cost volatility to customers in South Carolina that purchase gas from Piedmont.

Q. What were the net economic results of the Hedging Plan during the review period?

A. Piedmont's South Carolina customers incurred a net economic benefit of $1,756,005 as a result of Piedmont's Plan during the review period. This net economic impact includes expenses incurred in administering the program including commissions, software, subscriptions and data feed.

Q. Please describe how compliance with the Hedging Plan is monitored.

A. Currently, the Gas Accounting, Finance, and Corporate Compliance areas perform ongoing activities to monitor compliance with the Plan. In addition to these steps, the Energy Risk Management Committee (ERMC) monitors compliance to the Plan on a bi-monthly basis. Periodic internal audits have and will be performed to ensure controls continue to be adequate and function as management intends.

Q. Have there been any deviations from the Hedging Plan during the review period?

A. There were no deviations from the Plan during the review period.

Q. Did the Company take any other actions to reduce price volatility for its customers?

A. The Company utilized storage as a physical hedge to stabilize cost. The Company's Equal Payment Plan and use of the PGA benchmark price and deferred cost accounting allowed for a smoothing effect on gas price volatility.

Q. What are some of the other steps Piedmont has taken to manage its gas costs consistent with its "best cost" policy during the review period?

A. During the past year, Piedmont has taken the following additional steps to manage its gas costs, consistent with its "best cost" policy:

(1) As previously discussed, Piedmont has actively participated in proceedings before the FERC and other regulatory agencies that could reasonably be expected to affect Piedmont's rates and services;

(2) Piedmont has actively renegotiated and restructured eligible supply and capacity contracts in order to take advantage of market opportunities;

(3) Piedmont has utilized the flexibility available within its supply and capacity contracts to purchase and dispatch gas, release capacity and secondary marketing sales, in the most cost effective manner, resulting in South Carolina capacity release and secondary market sales credits of $4,011,735, an increase of $1,881,873 over the previous year's test period;

(4) Piedmont has actively promoted more efficient peak day use of natural gas and load growth from "year-around" markets, in order to improve the Company's load factor and reduce average unit costs;

(5) Piedmont has reviewed its gas supply activities with its Energy Risk Management Committee, comprised of senior management and employees from other functional areas within the Company, in order for the gas supply department to receive input and direction on its performance and planning activities; and

(6) Thomas Skains, Piedmont's Chief Executive Officer, President and Chairman of the Board, spoke before the Unites States Senate Energy and Natural Resources Committee's hearing on Lease Area 181 of the Gulf of Mexico for Oil and Gas Leasing on February 16, 2006. Mr. Skains' testimony, on behalf of the American Gas Association, endorsed the lease of Gulf of Mexico Area 181 for natural gas exploration, the building of pipeline infrastructure from Alaska and the Mackenzie Delta to bring new natural gas supplies from those areas to market, increased LIHEAP funding for the needy, increased LNG imports and a reduction on the reliance of fueling new electric generation with natural gas, as ways to reduce the price and volatility of natural gas for the nation's natural gas users.

Q. Please summarize your testimony.

A. Piedmont's "best cost" purchasing policy provides the Company with a secure, reasonably priced supply of gas to meet the requirements of its customers. This policy and the Company's practice under this policy have been reviewed and found prudent on all occasions in South Carolina and the other state jurisdictions in which we operate. Although we believe our policies and procedures are reasonable, we are cognizant of the fact that the natural gas industry is rapidly changing, and we are constantly monitoring our policies and procedures to keep up with, and even anticipate, these changing conditions. We have and will continue to meet with the Office of Regulatory Staff to review current regulations and tariffs and explore possible changes that will better serve natural gas consumers in the future. We are satisfied that our existing policies and procedures are prudent and that they have produced and will continue to produce adequate amounts of reasonably priced gas for our customers.

Q. Does this conclude your testimony?

A. Yes.

EXHIBIT__(KPM-1)

Exhibit__(KPM-1)

MEMORANDUM

Moore&VanAllen

June 12, 2006

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To: Ken Valentine
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c: Frank Yoho
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From: Sonya Lowe, Consulting Paralegal

Re: FERC Status Report

This is an update on pending FERC matters as of June 12, 2006. New material is in bold. The FERC/State Regulatory Planner for June, July and August will be sent via facsimile.

I. COURT PROCEEDINGS

A. NCUC v. FERC (05-1339). On August 25, 2005, the NCUC filed a petition for review of the 2004 *Order on Initial Decision* and the 2005 *Order on Rehearing*. On October 3, 2005, ConEd filed a petition for review of the 2004 *Order on Initial Decision* and the 2005 *Order on Rehearing*. On October 4, 2005, Transco filed a petition for review of the 2004 *Order on Initial Decision* and the 2005 *Order on Rehearing*. On October 6, 2005, the COA issued an order consolidating cases. On October 21, 2005, Piedmont filed a motion to intervene and disclosure statement. On October 24, 2005, the NCUC filed a motion to deconsolidate stating that the other petitioners' issues are separate from NCUCs. On November 4, Transco filed a response in opposition of NCUC's motion to deconsolidate. On November 7, FERC filed a motion to dismiss ConEd's and Transco's petitions for review for lack of jurisdiction and to hold the remaining petition in abeyance. On November 18, 2005, the NCUC filed a response in opposition to FERC's motion to hold this petition in abeyance. On November 21, 2005, ConEd and PGW filed an answer to FERC's November 7 motion. Transco filed a response in partial opposition to FERC's November 7 motion on November 21, 2005. On March 10, 2006, an order was issued accepting Piedmont's intervention. Also on March 10, 2006, an order was issued: (1) granting the motion to dismiss No. 05-1388 and No. 05-1390, (2) denying the motion to hold No. 05-1339 in abeyance, and (3) dismissing the motion to deconsolidate as moot. On March 20, a briefing order was issued.

II. ACTIVE RATE PROCEEDINGS

A. Columbia Gas Rate Case (RP05-408). **On May 10, 2006, Columbia filed a report on the sharing with its customers of a portion of the profits from the sale of certain base gas.**

B. Transco Rate Case (RP01-245). On December 3, 2002, Judge Harfeld issued his *Initial Decision* in this proceeding. On December 10, 2002, Transco moved for an extension of time to file briefs on and opposing exceptions to the Initial Decision. Also on December 10, 2002, Judge Harfeld issued an *Order Granting Motion to Lodge* filed by KeySpan on November 26. On December 12, 2002, Judge Harfeld submitted his *Certification of Initial Decision and The Record.* On January 16, the following parties filed briefs on exceptions: The Transco Municipal Group, The City of Richmond, VA and The Municipal Gas Authority of GA; Energy Associates; Transco; PECO, Public Service Commission of NY; South Carolina Pipeline and SCANA; Atlanta Gas Light; ConEd and Philadelphia Gas Works; Indicated Shippers; KeySpan; Atlanta Gas Light, Public Service Electric, KeySpan, VA Natural Gas and Washington Gas Light; and the Commission Staff. On February 5, SC Pipeline and SCANA filed its brief opposing exceptions. The following parties filed briefs opposing exceptions on February 12: Energy Associates, KeySpan, Piedmont, *et al.*, NY Public Service Comm., Atlanta Gas Light, *et al.*, Transco, Indicated Shippers, Transco Municipal Group, *et al.*, Dominion Energy, BP Energy, POCA, Atlanta Gas Light, and ConEd, *et al.* A letter order was issued on March 6 accepting Transco's December 20, 2002 refund report as final. On March 26, 2004, the Commission issued its *Order on Initial Decision* in which it resolved various exceptions to Judge Harfeld's rulings on contested issues. Among others, the Commission (1) rejected AGL's effort to reallocate storage costs to transmission customers, (2) overturned the ALJ's decision that Transco must contingency rank for replacement shippers, (3) rejected PECO's argument that GSS service should be unbundled, (4) allowed roll-in of Mobile Bay costs, and (5) rejected Staff's proposal to allocate 15 percent of LNG costs to transportation customers. On April 8, 2004, Transco filed a motion for extension of time to comply with the directives of the Commission's March 26, 2004 *Order on Initial Decision.* On April 13, 2004, the Commission granted Transco's request for extension "until 60 days after a final Commission order that is no longer subject to rehearing." On and around April 23, 2004, the following parties filed requests for rehearing of the Commission's *Order on Initial Decision*: Indicated Shippers, Cherokee LP, BP Energy, a joint request by KeySpan, Public Service, and Washington Gas Light, SC Pipeline Corp. and SCANA, Transco Municipal Group and the Municipal Gas Authority of GA, POCA, NCUC, a joint request of ConEd, PGW and BP, and Transco. On May 24, 2004, the Commission issued an *Order Granting Rehearing for Further Consideration.* On June 18, 2004, Transco filed a motion to strike additional evidence and alternative proposals presented in SC Pipeline and SCANA's rehearing request. On July 9, SCANA and SC Pipeline filed an answer to Transco's motion to strike. On June 23, 2005, SCANA filed a letter with the Commission requesting a prompt resolution of the rehearing issues stating that it has been adversely affected due to Transco not permitting conversion of certain storage services. On August 5, 2005, the Commission issued its *Order on Rehearing* wherein it generally denied rehearing but granted rehearing on a limited number of issues including (1) that Transco establish incremental charges to recover the fuel and electric costs of the SouthCoast Expansion and the Cherokee Expansion, (2) Transco's request that each FT shipper with entitlements at Covington be required to subscribe to a proportionate share of the unbundled Emergency Eminence Service until the termination of the underlying FT contract from which Eminence Service is unbundled, (3) Indicated Shippers' request that storage costs be allocated to incremental transportation services and the transportation component of bundled storage services, and (4) Indicated Shippers' request that a portion of storage costs from the GSS, LSS, SS-2, and S-2 be allocated to transportation customers. On August 24, 2005, Transco filed a motion for extension of time to comply with Ordering Paragraph (b) of the Commission's August 5

Order. Transco's motion was granted on August 25 until 60 days after issuance of a final Commission order that is no longer subject to rehearing. On August 25, 2005, the NCUC filed a petition for review of the 2004 *Order on Initial Decision* and the 2005 *Order on Rehearing*. On September 6, 2005, Piedmont filed a motion for clarification concerning EES. Also on September 6, Transco filed a request for rehearing and clarification as to allocation of certain storage costs. Other parties filing rehearing requests of the August 5, 2005 Order are as follows: KeySpan, ConEd, SCANA, and Indicated Shippers. On September 20, 2005, Transco filed an answer in response to Piedmont's motion for clarification and KeySpan's request for clarification. On September 21, National Fuel filed for leave to answer and answer to KeySpan's request for clarification. On October 3, 2005, ConEd filed a petition for review of the 2004 *Order on Initial Decision* and the 2005 *Order on Rehearing*. On October 4, 2005, Transco filed a petition for review of the 2004 *Order on Initial Decision* and the 2005 *Order on Rehearing*. On October 6, 2005, the Commission issued an *Order Granting Rehearing for Further Consideration*. **On May 30, 2006, the Commission issued its *Order on Rehearing, Remanding Issue for Further Hearing and Establishing Technical Conference* in which FERC granted Piedmont's motion for clarification on the issue of ESS contract termination and remanded the issue of storage cost allocation to transportation services. On May 31, 2006, Chief ALJ Wagner appointed ALJ Silverstein to preside over this proceeding. A prehearing conference was held on June 8. An *Order Establishing Procedural Schedule* has been issued and the dates are reflected on the attached calendar.**

C. Pine Needle Rate Case (RP06-336). On May 1, 2006, Pine Needle filed a general rate increase effective June 1, 2006. Pine Needle stated that the proposed cost of service in this filing is $20,717,522, compared to a cost of service of $18,250,000 underlying Pine Needle's current rates which the Commission found just and reasonable in Docket No. RP02-407. Pine Needle stated that the principal factors contributing to the increase in cost of service were an increase in rate of return and related taxes, an increase in depreciation expense and the establishment of negative salvage rates. Piedmont filed an intervention, protest and request for suspension on May 10, 2006. **On May 31, 2006, the Commission issued an *Order Accepting and Suspending Tariff Sheet Subject to Refund and Establishing A Hearing*. On June 5, Chief ALJ Wagner appointed ALJ Young to preside over this proceeding. A prehearing conference has been scheduled for June 20.**

III. ACTIVE CERTIFICATE PROCEEDINGS

A. Columbia Gas' Millennium Pipeline Project (CP98-150 & CP98-151). On July 6, 2005, Millennium filed a request for extension of time to file its Environmental Implementation Plan and for construction completion. Millennium further requests the Commission to defer setting new deadlines until the Commission issues an order on Millennium's amended application which Millennium states will be filed not later than August 1, 2005. A letter order was issued on July 12, 2005 granting Millennium's requests for extension of time. Millennium filed its amended application on August 1, 2005. On January 10, 2006, a notice of intent to prepare a supplemental EIS was issued. A site visit is schedule for January 26, 2006. On February 23, 2006, FERC Staff forwarded a set of environmental information requests to Millennium. On March 15, 2006, Millennium filed its responses to FERC Staff's February 23 environmental information requests. On April 7, 2006, FERC Staff forwarded an environmental information request to Millennium. On April 24, 2006, a preliminary supplemental draft environmental impact statement was issued. **On May 3, 2006, Millennium filed a second amendment to its application to amend certificate of public convenience and necessity and motion to vacate certificate in part. On June 5, ConEd and Orange and Rockland Utilities filed a request for consolidated technical conference is this docket along with dockets RP06-231 and RP06-365. On June 9, A draft Supplemental EIS was issued for Phase I.**

B. Columbia Gas Hardy Transmission Project (CP05-144). On April 25, 2005, Columbia Gas filed an application requesting authorization to construct and operate certain natural gas transmission facilities to provide firm transportation service under Part 284 of the Commission's regulations for certain customers ("Hardy Transmission Project"). FERC conducted a precertification site visit on May 17 through 19. Piedmont intervened in support on May 23, 2005. On May 23, Alan Ward, Norma J. Caron, Melinda Buchanan-Ward and Aaron Buchanan regarding the impact of the second gas line. On May 24, the City of Charlottesville, VA filed an intervention, comments in general support and protest regarding certain rate and tariff issues. Baltimore Gas filed an intervention in support. On May 26, Jerome Irick filed comments expressing concerns over the new gas line. Columbia filed its updated list of affected landowners on May 26. Also on May 26, Martin Gorelick filed comments/questions regarding storage on his property. Hampshire Gas filed an intervention and protest on May 26. Washington Gas Light filed an intervention and comments in support with concerns over certain tariff provisions. Orange and Rockland Utilities filed an intervention and request for clarification. On June 8, FERC Staff forwarded a request for information to Columbia Gas and Hardy. Columbia Gas and Hardy responded to the information request on June 15. On June 22, James McWhorter of Geoscience filed comments regarding the core boring process in relation to the existing gas line. On July 11, Columbia Gas and Hardy filed for leave to answer and answer to comments, protests and request for clarification. On August 5, 2005, the Commission issued its notice of availability of the Environmental Assessment for the proposed projects. On August 9, Landowner Irick filed a letter with the Commission regarding concerns from Mr. Irick's consultant, Geoscience Services, and identifying dates Mr. Irick will be available for ground water well pump testing. On August 18, Commission Staff forwarded a letter to the U.S. Fish and Wildlife Services transmitting the EA and informing them that the proposed projects are "not likely to adversely affect any of the federally listed species . . . ." The Environmental Assessment for this project was issued on August 5, 2005. On August 22, the VA Dept. of Environmental Quality requested a deadline extension until September 20, 2005 to submit comments on the EA. On September 2, 2005, Columbia Gas filed two comments regarding the EA. The first comment concerns Columbia's compensation responsibilities related to tree clearing and the second comment concerns the Lost River Compressor Station. On September 6, Bailey & Glasser filed comments on the EA on behalf of a number of landowners. On September 7, the Virginia Dept. of Environmental Quality filed comments on the EA. On September 8, landowner Larry Combs filed comments with major concerns after having reviewed the EA. The Dept. of Agriculture submitted a filing stating they have no comments on the EA. Landowner Joyce Doncette filed a letter concerning the areas of the proposed project. On September 9, the National Park Service filed a letter informing the Commission that they are unclear about what potential impact the project will have on the Shenandoah National Park in future years. On September 12, the Fish & Wildlife Service filed a report on the proposed project. US Senator Robert C. Byrd filed comments on behalf of one his constituents expressing opposition to the proposed project. On September 13, the Dept. of Interior filed comments on the EA. On September 23, Columbia filed responses to comments received by the Commission regarding the EA. On September 30, the Dept. of the Army filed its comments on the EA. On October 3, the Chairman of FERC responded to Senator Byrd's letter. On October 4, Commission Staff forwarded data requests to Columbia. Columbia filed its responses to Commission Staff's data requests on October 6. On November 1, 2005, the Commission issued an *Order Issuing Certificates and Authorizing Abandonment.* On November 22, 2005, Columbia Gas filed a letter accepting the certificate granted to it on November 1. On December 1, 2005, Columbia filed a request for clarification or in the alternative rehearing of FERC's November 1 Order, the City of Charlottesville filed an application and request for rehearing of FERC's November 1 Order, and the American Public Gas Association filed a late intervention and a request for rehearing of FERC's November 1 Order. On December 15, 2005, Hardy Storage filed an answer in opposition of the late intervention and request for rehearing filed by the American Public Gas Association. On January 3, 2006, an *Order Granting Rehearing for Further Consideration* was issued. On February 3, 2006, Columbia submitted documents in compliance with the Commission's November 1, 2005 Order. On February 6, 2006, Columbia filed a letter with the Commission requesting relief from certain tests. On February 7, 2006, Jerome Irick filed a letter recapping a meeting with a representative from Columbia Gas regarding right of way agreements. On February 8, 2006, the City of Charlottesville and the American Public Gas Association filed a joint notice of withdrawal of pleadings submitted on December 1, 2005, subject to conditions. On February 22, Jerome Irick filed a letter in opposition to Columbia's letter requesting relief from certain requirements in the Commission's November 1 Order. On February 28, the Commission issued an order granting Hardy Storage's request for clarification of the Commission's November 1 Order. On March 1, Columbia and Hardy filed a letter informing the Commission that construction on facilities in West Virginia had been commenced. On March 15, John Irick filed technical comments on issues remaining unanswered that relate to the construction of the gas line in Karst topography. On March 20, US Senator Mikulski filed a letter with FERC requesting FERC to provide a timeline for the anticipated release date of the final EIS.

C. Hardy Storage (CP05-150, CP05-151 & CP05-152). On April 25, 2005, Hardy Storage Company filed an application requesting authorization for the construction and operation of a new underground natural gas storage facility located in Hampshire and Hardy Counties, West Virginia. Hardy states that Columbia Gas will operate and maintain the proposed facilities for Hardy. In Docket CP05-151-000, Hardy requests that the Commission issue a certificate of Public Convenience and Necessity pursuant to Subpart G of 18 C.F.R., Part 284 of the Commission's regulations authorizing Hardy to provide storage services on behalf of others in interstate commerce with pre-granted abandonment of those services. In Docket CP05-152-000, Hardy requests that the Commission issue a blanket certificate of Public Convenience and Necessity pursuant to Subpart F of C.F. R., Part 157 of the Commission's Regulations authorizing Hardy to construct, acquire, operate and abandon certain facilities following construction of the storage project. In Docket CP05-144-000, Columbia filed an application requesting authority, concurrent with Hardy's certificate application, to expand its system in Virginia to transport the natural gas stored as a part of the Hardy project. Hardy requests expedited action by the Commission on its application by September 15, 2005 to begin storage injections in April 2007. On May 10, landowner Henry Rupert filed comments in position to a requested easement for a "Repeater Tower." On May

19, the FERC Staff forwarded an information request. Piedmont intervened in support on May 23, 2005. On May 23, Alan Ward, Norma J. Caron, Melinda Buchanan-Ward and Aaron Buchanan regarding the impact of the second gas line. On May 24, Virginia's Dept of Environmental Quality submitted a request to FERC to review any EIS or EA prepared in this proceeding. On May 24, the City of Charlottesville filed an intervention, comments in general support and protest regarding certain rate and tariff issues. Baltimore Gas filed an intervention in support. On May 26, Jerome Irick filed comments expressing concerns of the new gas line. Hardy filed its updated list of affected landowners on May 26. On May 26, Columbia Gas filed a letter proposing to respond to FERC Staff's information request on June 3. Hampshire Gas filed an intervention and protest on May 26. Washington Gas Light filed an intervention and comments in support with concerns over certain tariff provisions. On June 3, Hardy filed its responses to FERC Staff's request for information. On June 6, comments in support were filed by House of Delegate Ruth Rowan. On June 8, FERC Staff forwarded an additional request for information to Columbia Gas. Columbia Gas and Hardy responded to the information request on June 15. On June 22, James McWhorter of Geoscience filed comments regarding the core boring process in relation to the existing gas line. On June 23, FERC responded to West Virginia Delegate Ruth Rowan regarding environmental evaluation for the Hardy Storage Field Project. On July 11, Columbia Gas and Hardy filed for leave to answer and answer to comments, protests and request for clarification. On July 22, 2005 landowner Mary Ellen Wooten filed comments regarding acquisition of land rights. On August 5, 2005, the Commission issued its notice of availability of the Environmental Assessment for the proposed projects. On August 9, Landowner Irick filed a letter with the Commission regarding concerns from Mr. Irick's consultant, Geoscience Services, and identifying dates Mr. Irick will be available for ground water well pump testing. On August 18, Commission Staff forwarded a letter to the U.S. Fish and Wildlife Services transmitting the EA and informing them that the proposed projects are "not likely to adversely affect any of the federally listed species . . . ." The Environmental Assessment for this project was issued on August 5, 2005. On August 22, the VA Dept. of Environmental Quality requested a deadline extension until September 20, 2005 to submit comments on the EA. On September 2, 2005, Columbia Gas filed two comments regarding the EA. The first comment concerns Columbia's compensation responsibilities related to tree clearing and the second comment concerns the Lost River Compressor Station. On September 6, Bailey & Glasser filed comments on the EA on behalf of a number of landowners. On September 7, the Virginia Dept. of Environmental Quality filed comments on the EA. On September 8, landowner Larry Combs filed comments with major concerns after having reviewed the EA. The Dept. of Agriculture submitted a filing stating they have no comments on the EA. Landowner Joyce Doncette filed a letter concerning the areas of the proposed project. On September 9, the National Park Service filed a letter informing the Commission that they are unclear about what potential impact the project will have on the Shenandoah National Park in future years. On September 12, the Fish & Wildlife Service filed a report on the proposed project. US Senator Robert C. Byrd filed comments on behalf of his constituents expressing opposition to the proposed project. On September 13, the Dept. of Interior filed comments on the EA. On September 23, Columbia filed responses to comments received by the Commission regarding the EA. On September 30, the Dept. of the Army filed its comments on the EA. On October 3, the Chairman of FERC responded to Senator Byrd's letter. On October 4, Commission Staff forwarded data requests to Columbia. Columbia filed its responses to Commission Staff's data requests on October 6. On October 24, US Senator John Rockefeller filed comments on behalf of Joyce Doucette expressing concerns about this project.

On November 1, 2005, the Commission issued an *Order Issuing Certificates and Authorizing Abandonment*. On November 18, 2005, FERC responded to Senator Rockefeller's letter. On December 1, 2005, Columbia filed a request for clarification or in the alternative rehearing of FERC's November 1 Order, the City of Charlottesville filed an application and request for rehearing of FERC's November 1 Order, and the American Public Gas Association filed a late intervention and a request for rehearing of FERC's November 1 Order. On December 6, Midwestern filed supplemental comments to the EA. Also on December 6, STOP filed a response to the EA. On December 8, 2005, STOP filed comments on the EA. On December 15, 2005, Hardy Storage filed an answer in opposition of the late intervention and request for rehearing filed by the American Public Gas Association. On January 3, 2006, an *Order Granting Rehearing for Further Consideration* was issued. On February 3, 2006, Columbia submitted documents in compliance with the Commission's November 1, 2005 Order. On February 6, 2006, Columbia filed a letter with the Commission requesting relief from certain tests. On February 7, 2006, Jerome Irick filed a letter recapping a meeting with a representative from Columbia Gas regarding right of way agreements. On February 8, 2006, the City of Charlottesville and the American Public Gas Association filed a joint notice of withdrawal of pleadings submitted on December 1, 2005, subject to conditions. On February 22, Jerome Irick filed a letter in opposition to Columbia's letter requesting relief from certain requirements in the Commission's November 1 Order. On February 28, the Commission issued an order granting Hardy Storage's request for clarification of the Commission's November 1 Order. On March 1, Columbia and Hardy filed a letter informing the Commission that construction on facilities in West Virginia had been commenced.

D. <u>Midwestern Gas Eastern Extension Project (CP05-372)</u>. On June 6, 2005, Midwestern Gas filed an application for a Certificate of Public Convenience and Necessity to construct and operate an approximate 31 mile extension of its existing pipeline system ("Eastern Extension") from its eastern terminus near Portland, TN eastward to the Hartsville, TN area. Midwestern further requests that the Commission complete its review and approval of the proposed new facilities no later than November 30, 2005 in order for initial deliveries to meet the scheduled in-service date of November 1, 2006. Midwestern states that the proposed line extension would interconnect with the Columbia Gulf and East Tennessee systems in the Hartsville, TN area. On Piedmont intervened in support on June 15, 2005. On and around June 15, numerous landowners have filed comments basically in opposition of Midwestern's proposal. On July 5, Midwestern submitted its updated list of landowners. A letter order was issued on July 8 to Midwestern requesting additional environmental information. On July 20, Midwestern filed an answer in response to the many comments filed. On September 7, 2005, Landowner Nikki Wallace filed further comments in opposition of the proposed project regarding her farm land. Nikki Wallace again filed comments in opposition of Midwestern's proposed project on September 26, 2005. On October 17, 2005, Sue Carr filed comments in opposition of the "installation of a gas pipeline through her neighborhood." On and around October 17, the following landowners filed comments on the proposed project: Ronald Roddy, James Baker, Jean Palmer, Billie Hodges, Paul Anderson, Martha Deshler, and Martha Fenimore. The Environmental Assessment was issued on October 20. Additional comments were filed by: Billy Woodard, Tennessee Historical Commission, James Dye, James Stephenson, and Ronnie Briley. On November 18, Sumner-Toursdale Oppose Pipeline (STOP) filed a motion for an extension to file comments on the Environmental Assessment. Midwestern Gas filed comments on the EA on November 18. Further on November 18, Tennessee

Senator Black requested an in depth independent review of the data introduced by Piedmont. On November 21, Midwestern Gas filed an answer in opposition to STOP's request for extension of time to file comments on the EA. On and around November 21, the following filed comments on the EA: a member of STOP, Veit Spero, Linda Roddy, City of Portland, and Tennessee Wildlife Resources Agency. On December 2, 2005, Joseph Ashe filed an email concerning landowners and parties regarding the proposed project. Also on December 2, 2005, Piedmont filed an answer in opposition to STOP's request for an extension of time to file comments on the EA. On December 6, 2005, the Governor of Tennessee requested an extension of the comment period for the environmental assessment until January 15, 2006. On December 20, 2005, Midwestern Gas filed for expedited issuance of a Commission order on the merits. On December 30, 2005, Landowner Linda Roddy filed an answer in opposition to MGT's request for expedited order. On January 4, 2006, Landowner Lorrie Marcum filed a protest to MGT's request for expedited order. Also on January 4, 2006, Columbia Gulf filed a motion to withdraw its comments filed on July 6, 2005. On January 5, Landowner Nickki Wallace filed comments requesting immediate and permanent denial of MGT's permit of a transmission pipeline through Sumner and Trousdale Counties. Also on January 5, Landowner Martha Deshler filed comments regarding the review process of the Environmental Assessment. On January 6, 2005, the Eastern Band of Cherokee Indians filed comments accepting MGT's invitation to act as a consulting party. Also on January 6, 2005, FERC Staff filed a letter stating that it will not extend the comment period as requested by the Governor of Tennessee's December 6 letter requesting an extension of the comment period. On January 11, 2006, State Senator Diane Black requested an environmental impact study. On January 13, Landowner Lorrie Marcum filed a letter in protest of FERC's denial to extend the environmental assessment comment period. Also on January 13, Landowner Lorrie Marcum filed a letter suggesting process improvements for proof of need analysis and suggested including rules of conduct for companies when dealing with landowners. On January 15, Landowner Linda Roddy filed comments on the environmental assessment. On January 24, 2006, the Fish and Wildlife Service of the US Department of Interior submitted a letter stating that it concurred with the Environmental Assessment of the proposed project. On February 1, 2006, Ronnie Briley of Tennessee filed comments in opposition of the proposed project. On February 8, 2006, William G. Foster of Foster Associates, Inc. and William Wade of Water Economics filed a report on behalf of STOP in response to MGT's motion for expedited issuance of Commission order. On February 23, Linda Roddy filed comments in opposition of MGT's application. On March 6, 2006, individual/intervenor filed comments requesting protection from trespass by Midwestern. On March 9, numerous individual intervenors filed comments expressing different concerns regarding Midwestern's applications. On March 10, 2006, the Commission issued its *Order Issuing Certificate* subject to certain conditions. On March 22, an individual intervenor filed comments expressing concerns regarding the project. On March 24, 2006, Midwestern Gas filed a letter with the Commission accepting the March 10 certificate. On April 3, 2006, certain landowners filed a motion for stay of the Commission's Certificate Order. On April 7, the City of Portland filed a letter in support of the landowners' motion for stay. On April 10, the landowners and the City of Portland each filed a request for rehearing of the Commission's March 10 Order. On April 12, the landowners submitted a supplement to their motion for stay of certificate order. On April 18, Midwestern Gas filed an answer to the motion for stay and the request for rehearing. On April 26, STOP filed a request to strike a portion of Midwestern Gas' answer to the request for rehearing. On May 5, STOP filed a request to strike Midwestern Gas' answer to the request for rehearing. On

May 10, 2006, the Commission issued its *Order Granting Rehearing for Further Consideration.* **On May 26, 2006, Midwestern submitted its Initial Implementation Plan for the proposed project. On May 31, Midwestern filed a motion to lodge district court order *Order Granting Midwetern Gas Transmission Company Temporary Possession of Property Interest.***

IV. OTHER PROCEEDINGS

A. Standards of Conduct for Transmission Providers (RM01-10). On February 16, 2006, the Commission issued an *Interpretive Order Relating to the Standards of Conduct* clarifying "that Transmission Providers may communicate with affiliated nuclear power plants regarding certain matters." The Commission issued an Errata Notice on February 22, 2006. On February 23, a Notice of Technical Conference and Workshop was issued for April 7, 2006. On March 3, the Commission issued a *Second Notice of Technical Conference and Workshop.* On March 10, the Commission issued a *Notice of Panel Topics.* On March 20, the following parties filed comments to the Commission's February 16 Order: Nuclear Energy Institute and Exelon Corp. On April 3, a notice of a joint meeting of the Nuclear Regulatory Commission and FERC was issued regarding the Interpretive Order. Also on April 3, a notice of panelists for the April 7 Workshop was issued. **On May 18, 2006, the Commission issued an *Order on Request for Additional Clarification* requested by Exelon in their February comments regarding grid disturbances and whether a Transmission Provider may communicate to an affiliated nuclear power plant specific information about transmission system conditions on a real-time basis.**

B. Dominion TCRA Filing (RP00-632). On June 30, 2004, Dominion filed its informational fuel report for the 12-month period ending March 31, 2004. On June 30, 2005, Dominion filed its informational fuel report for the 12-month period ending March 31, 2005. Comments were filed regarding both reports. On December 21, 2005, the Commission issued an *Order Accepting Fuel Reports Subject to Conditions.* On January 5, 2006, Dominion submitted its filing in compliance with the Commission's December 21 Order. On January 17, 2006, KeySpan filed a request for summary rejection of Dominion's January 5 compliance filing. On January 20, 2006, Dominion filed an answer to KeSapn's request for motion for summary rejection. Also on January 20, 2006, Dominion filed a request for rehearing of the Commission's December 21 Order. On January 30, 2006, KepSpan filed for leave to answer and answer to Dominion's request for rehearing. On February 21, 2006, an *Order Granting Rehearing for Further Consideration* was issued.

C. Dominion (TCRA) (RP03-623). On September 29, 2003, Dominion submitted a filing to update DTI's effective Transportation Cost Rate Adjustment through the mechanism described in Section 15 of the General Terms and Conditions of DTI's tariff. Piedmont intervened on October 13, 2003. On October 27, 2003, DTI filed an answer in opposition to the intervention and protest of Michael Wilhelm. A letter order was issued on October 31, 2003 accepting DTI's tariff sheets and directing DTI to file revised tariff sheets consistent with the proposals in its October 27 answer. On November 5, 2003, DTI submitted its compliance filing to the October 31 letter order. On November 28, 2003, Michael J. Wilhelm, residential customer of Dominion Hope, requested rehearing of the Commission's October 31 letter order. On December 9, 2003, a letter order was issued accepting as final DTI's November 5 compliance filing. On December 29, 2003, the Commission issued its *Order Granting Rehearing for Further Consideration*. On September 20, 2005, the Commission issued its *Order on Rehearing* granting the request of Michael J. Wilhelm. On October 11, Dominion submitted its transportation cost rate adjustment compliance filing. On October 24, National Fuel, NY State Electric, and Rochester Gas filed a protest to Dominion's compliance filing. Dominion filed a request for rehearing of the Commission's September 20 Order on October 24, 2005. Also on October 24, Michael Wilhelm filed comments on Dominion's compliance filing. On November 21, 2005, the Commission issued an *Order Granting Rehearing for Further Consideration.*

D. <u>Columbia Gas Re-Contracting Issues (RP04-255)</u>. On April 8, 2004, Columbia Gas submitted a filing which stated that an integral component of its efforts to prepare for 2004 re-contracting issues, it undertook a comprehensive review of the *pro forma* service agreements in its Tariff, and this review led Columbia to propose several Tariff revisions. Columbia stated that the tariff revisions are intended to (1) correct/delete certain minor inconsistencies in Columbia's *pro forma* service agreements, and (2) to ensure that Columbia, when it agrees with its shippers in future service agreements on minimum pressures and/or hourly flow rates, can also agree with its shippers on conditions to those minimum pressures/hourly flow rates necessary to ensure the integrity of Columbia's pipeline system. Piedmont intervened on April 19, 2004. Baltimore Gas filed a motion to intervene and statement of support and Virginia Natural Gas filed an intervention and comments requesting clarification and certain revisions to Columbia's filing. On April 27, UGI Utilities filed a late intervention and comments in support. On April 27, Columbia filed for leave to answer and answer to comments and request for clarification. On May 4, 2004, Virginia Natural Gas filed a motion for leave to answer and answer to Columbia's April 27 answer. On May 6, 2004, Columbia Gas filed a motion for leave to answer and answer to motion of Virginia Natural Gas. A letter order was issued on May 7, 2004 accepting Columbia's filing subject to Columbia filing revised tariff language. On May 24, 2004, Columbia submitted its filing in compliance with the May 7 Order. On and around June 4, 2004, the following parties filed late interventions, request for clarification and/or rehearing of the Commissions May 7 Order: National Fuel, the Cities of Charlottesville and Richmond, Virginia Natural Gas and Orange and Rockland Utilities, Virginia Power, American Gas Association, American Public Gas Association, the Dominion LDCs, and Washington Gas Light. On June 30, 2004, Columbia submitted a letter for filing reiterating several points it has previously made in this proceeding. On July 2, 2004, an *Order Granting Rehearing for Further Consideration* was issued. On July 7, the Cities of Charlottesville and Richmond filed a *Response to Improper Answer to Requests for Rehearing* – referring to Columbia's June 30 letter. On July 15, Virginia Natural Gas filed a reply to the June 30 reply of Columbia to requests for rehearing. On August 23, 2004, a letter order was issued accepting Columbia's May 24 compliance filing as final. On January 26, 2005, the Commission issued an *Order on Clarification and Rehearing* granting the requests for clarification and/or rehearing of the Commission's May 7, 2004 letter order. On February 10, 2005, Columbia Gas submitted its filing in compliance with the Commission's January 26 Order. On February 24, Columbia filed a request for clarification or, in the alternative, rehearing of the Commission's January 26 Order. Also on February 24, Columbia submitted a correction to its February 10 compliance filing. On March 28, 2005, the Commission issued an *Order Granting Rehearing for Further Consideration*. On May 10, the Commission issued an *Order on Clarification/Rehearing and Compliance Filing* wherein the Commission granted clarification/rehearing and accepted Columbia's amended compliance filing submit to Columbia filing revised tariff sheets. On May 25, 2005, Columbia submitted its revised tariff sheets in compliance with Commission Order dated May 10. **On May 12, 2006, a letter order was issued accepting Columbia's compliance filing as final.**

E. Columbia Gulf v. Tennessee (RP04-413). On July 26, 2004, Columbia Gulf filed a Complaint and Request for Processing under Fast Track Procedures against Tennessee Gas. Columbia Gulf alleged that Tennessee is illegally imposing a transportation charge on Columbia Gulf's South Pass 77 shippers in violation of the Natural Gas Act, Commission orders that approved a Reciprocal Lease Agreement between Tennessee and Columbia Gulf, and in violation of the Reciprocal Lease Agreement itself. Piedmont intervened on July 28, 2004. On August 13, Tennessee filed an answer and motion to dismiss. Also on August 13, Dynegy filed for leave to intervene and comments. On August 30, Columbia Gulf filed an answer to Tennessee's motion to dismiss. On September 14, Tennessee filed a reply to the answer of Columbia Gulf. On October 12, 2004, the Commission issued an *Order on Complaint Establishing Hearing Proceedings* "in order to fully develop the record concerning the complaint." On October 15, the Chief ALJ issued an order designating Judge Silverstein to preside over this proceeding. A prehearing conference to clarify the parties' positions, to explore the possibility of settlement, and to set a trial schedule was held on October 27, 2004. Also on October 27, 2004, the ALJ issued an *Order Establishing Procedure Schedule*. On December 20, 2004, Columbia Gulf forwarded its First Set of Data Requests to Tennessee. On December 29, 2004, Columbia Gulf filed a motion requesting adoption of model protective order. On January 5, 2005, Columbia Gulf filed a motion to compel Tennessee to completely answer certain data requests in Columbia Gulf's First Set of Data Requests. On January 6, 2005, the presiding ALJ issued an *Order Scheduling Oral Argument* for January 12, 2005 on Columbia Gulf's Motion to Compel. On January 10, 2005, Tennessee filed an answer in opposition to Columbia Gulf's motion to compel. Columbia Gulf forwarded its second set of data requests to Tennessee on January 11, 2005. On January 12, 2005, Columbia Gulf served three notices of deposition. A ruling on the motion to compel was issued on January 14, 2005. Tennessee and Columbia had previously narrowed down three data requests at issue. Tennessee gave a partial answer to one request. The January 14 Order compels Tennessee to answer the remaining two requests. Also on January 14, 2005 a *Protective Order* was issued on behalf of any participant producing protected materials. On January 19, 2005, Tennessee forwarded its first set of data requests to Columbia Gulf. Columbia Gulf filed initial testimony on January 28, 2005. Tennessee filed initial testimony on January 31, 2005. Columbia Gulf filed exhibits to its initial testimony on January 31, 2005. On February 8, 2005, Tennessee forwarded its second set of data requests to Columbia Gulf. On February 18, 2005, the FERC Trial Staff forwarded its first set of data requests to Columbia Gulf. On February 22, 2005, Tennessee filed a motion for summary disposition. On February 25, Tennessee filed answering testimony and on February 28, Tennessee filed an errata sheet to its testimony filed on February 25. On March 7, Commission Staff forwarded its first set of data requests to Tennessee. On March 9, Columbia Gulf filed its answer to Tennessee's motion for summary disposition. Also on March 9, the Commission Trial Staff filed an answer in opposition of Tennessee's motion for summary disposition. On March 10, 2005, the presiding ALJ issued his *Ruling on Motion for Summary Disposition* stating that the requirements for summary disposition have not been met and denied Tennessee's motion. On March 24, Columbia Gulf submitted its first set of data requests to Dynegy. On March 29, Dynegy Midstream filed a notice to withdraw its intervention and comments. On April 1, Columbia Gulf submitted its third set of data requests to Tennessee. On April 7, Columbia Gulf filed an answer opposing Dynegy's notice of withdrawal and motion to compel responses to first set of data requests. On April 8, Tennessee submitted its Third Set of Data Requests to Columbia Gulf. On April 12, Columbia Gulf issued two notices of deposition. On April 15, Columbia Gulf filed a motion to compel responses to data requests from Tennessee. On April 21, Tennessee filed its answer to Columbia Gulf's motion to compel. Also on April 21, Dynegy filed a response to Columbia Gulf's motion to compel and a request to respond to answer opposing notice of withdrawal. Columbia Gulf filed rebuttal testimony on April 22. Oral argument was held on April 26 concerning motions filed by Columbia to compel responses to data requests from Dynegy Midstream and Tennessee. On April 26, Dynegy submitted an updated response to Columbia Gulf's data requests. Notices of Deposition were issued on April 26. On April 27 the Presiding ALJ issued an *Order on Motion to Compel and Notice of Withdrawal from Proceeding*. This Order did not allow Dynegy's notice of withdrawal and Tennessee and Dynegy agreed to respond to Columbia Gulf's revised data requests. On April 29, Tennessee forwarded (1) its fourth set of data requests to Columbia Gulf, and (2) its first set of data requests to Dynegy. Also on April 29, the Presiding ALJ issued an *Order Scheduling Oral Argument Concerning Status of Protected Documents* which set oral argument for May 11. On May 6, Tennessee filed a motion to file one day out-of-time its motion to continue the protected status of certain materials sought by Columbia Gulf. On May 12, the Commission issued an *Order on Status of Protected Documents*. On May 13, Columbia Gulf, Tennessee and the Commission Staff filed their Joint Statement of Issues. Also on May 13, Columbia Gulf filed a notice of deposition of Bill Grantham. On May 16, the presiding ALJ issued an *Amendment to Protective Order*. On May 16, the parties forwarded a request to resolve the issues in the Joint Statement of Issues setting for the terms for settlement. On May 17, Tennessee and Dynegy filed a joint motion requesting appointment of a settlement judge. Also on May 17, Dynegy filed a motion for clarification, reconsideration and/or leave to file an interlocutory appeal of the Commissions' Order on Status of Protected Documents. On May 18, Columbia Gulf filed an answer to the May 17 joint request for an appointment of a settlement judge. Columbia Gulf objects to the delay of the established hearing date. On May 19, an *Order of Chief Judge Extending Track III Procedural Deadlines, Appointing Settlement Judge, and Scheduling Settlement Conference* was issued. The extended dates are reflected on the Regulatory Calendar. A settlement conference was held on May 24. Also on May 24, the Presiding ALJ determined that the Joint Witness List was "deficient" and issued an order requiring the attendance of certain witnesses from Tennessee, Dynegy and Columbia Gulf. On May 25, 2005, the Commission issued an *Order Denying Motion for Clarification, Reconsideration, And/Or Leave to File An Interlocutory Appeal.* Also on May 25, the settlement judge submitted his status report. On May 26, an *Order of Chief Judge Terminating Settlement Judge Procedures* was issued because the parties were unable to reach an agreement in principle. On June 1, 2005, Dynegy Midstream for interlocutory appeal of the Commission's May 25 Order. On June 7, the Commission issued a *Notice of Determination by The Chairman* to "refer to the full Commission the June 1, 2005 interlocutory appeal." On June 8, Dynegy filed a motion for clarification of the May 24 Order. Tennessee also filed a motion for clarification of the May 24 Order. On June 10, Columbia Gulf filed a non-public version of certain transcript pages of Bill Grantham's deposition. Also on June 10, Columbia Gulf filed an answer to the motions of Dynegy and Tennessee. On June 16, 2005, the Presiding ALJ issued an *Order Vacating Prior Order* dated May 24; however, he encouraged the parties to provide the named witnesses. On June 20, a Revised Joint Witness List was filed. On June 21, Columbia Gulf filed an application for issuance of subpoenas to testify at hearing. On June 22, Dynegy filed an objection to the application for subpoena for Bill Grantham. Also on June 22, Tennessee filed a motion for reconsideration of order vacating prior order and/or leave to file interlocutory appeal. Further on June 22, the Commission issued an order granting Dynegy's interlocutory appeal and the Presiding ALJ issued an order denying Columbia Gulf's request for subpoena of Bill Grantham. On June 24, Columbia Gulf filed an answer to Tennessee's motion for reconsideration and/or leave to file interlocutory appeal. On June 28, Dynegy filed an objection to receive into evidence the inclusion of the deposition of Steven Adamcik as an exhibit to the testimony of James Hart. Alternatively, Dynegy moves to strike the Adamcik deposition and portion of the Hart testimony. On July 5, 2005, the Presiding ALJ issued an *Order Denying Motion of Tennessee Gas Pipeline Company for Reconsideration of June 16, 2005 Order Vacating Prior Order and/or Leave to File Interlocutory Appeal.* On July 11, 2005, the Presiding ALJ issued an *Order Establishing Post Hearing Procedural Schedule.* On July 15, Columbia Gulf, Tennessee, Dynegy and the Commission Trial Staff filed proposed transcript corrections. On July 19, an *Order Correcting Transcript* was issued. On July 29, 2005, the following filed their Proposed Disputed Findings of Fact: the Commission Trial Staff, Columbia Gulf, Tennessee, and Dynegy Midstream. Also filed on July 29 were the Proposed Joint Findings of Fact by Columbia Gulf, Tennessee, Dynegy Midstream, and the Commission Trial Staff. On August 5, Columbia Gulf, in separate filings, filed objections to the proposed disputed findings of fact by Dynegy, by Tennessee, and the Commission Trial Staff. Tennessee filed objections to proposed disputed findings of fact of Columbia Gulf, Dynegy, and the Commission Trial Staff. The Commission Trial Staff filed objections to proposed disputed findings of fact of Tennessee and Dynegy. On August 12, the Commission Trial Staff filed its Initial Brief as did Tennessee and Columbia Gulf. Also on August 12, Columbia Gulf filed for leave to supplement the record. On August 26, Tennessee filed an answer to Columbia Gulf's motion for leave to supplement the record. On August 30, 2005, the Commission issued an *Order Denying Motion for Leave to Supplement The Record.* On August 31, the following filed reply briefs: Commission Trial Staff, Tennessee, Dynegy Midstream, and Columbia Gulf. On October 21, 2005, Judge Silverstein filed his *Initial Decision* in this proceeding finding that Tennessee breached its agreement by charging shippers for transportation between the South Pass 77 terminus and Yscloskey. Judge Silverstein also filed his *Certification of Initial Decision and The Record* on October 21, 2005. On November 21, 2005, Tennessee filed its brief on exceptions. On December 12, 2005, Columbia Gulf and the Commission Trial Staff each filed briefs opposing exceptions.

F. <u>Columbia Gas Revision of Penalty Provision (RP06-181)</u>. On January 23, 2006, Columbia Gas submitted a filing to revise the penalty provision set forth in Section 3(b) of Rate Schedule SIT to increase the penalty for failure to "cross-zero-twice" during any thirty day period from \$0.25 per Dth to \$5.00 per Dth. Columbia Gas stated that the proposed penalty increase is necessary to respond to the recent increase in the daily and seasonal variations of natural gas prices. On February 6, United States Gypsum and Virginia Power Energy each filed interventions and protests. Piedmont intervened on February 7, 2006. On February 14, 2006, Columbia Gas filed an answer to the protests and comments filed. On February 22, 2006, a letter order was issued rejecting Columbia Gas's filing because Columbia Gas did not show "how the increased SIT penalty proposal would be limited or narrowly designed to apply to only those shippers that actually harmed its system." On March 24, Columbia Gas filed a request for rehearing of the Commission's

February 22 letter order. On April 6, United States Gypsum filed a protest of Columbia Gas' new section 4 statement of nature, basis and reasons and the two proposals included in Columbia's request for rehearing. On April 24, 2006, an *Order Granting Rehearing for Further Consideration* was issued.

G. Columbia Gas New Sections of Rate Schedule FSS (RP06-194). On January 30, 2006, Columbia Gas submitted a filing to implement new sections 3(f) and 4(g) of Rate Schedule FSS to permit waiver of any limitations under Sections 3 and 4 of this Rate Schedule where granting such waiver is appropriate to address current operational issues. Piedmont intervened on February 6, 2006. On and around February 13, Central Hudson filed an intervention in support, the Dominion LDCs filed an intervention and limited protest, and Amereda Hess filed an intervention and comments. On February 16, 2006, Columbia Gas filed an answer to the protests and comments. On March 1, 2006, the Commission issued a letter order accepting Columbia Gas' filing subject to Columbia filing revised tariff language. On March 16, 2006, Columbia Gas submitted its filing in compliance with the March 1 Commission Order.

H. Tennessee Discount Offering (RP06-219). On February 10, 2006, Tennessee submitted a filing to modify the section of the standard form of service agreements that lists types of discounts Tennessee may offer without those discounts being considered material deviations from TGP's pro forma form of service agreements. Tennessee proposed an effective date of March 13, 2006 for the revised tariff sheets. Piedmont intervened on February 20, 2006.

I. Norstar v. Columbia Gas (RP06-231). On February 22, 2005 Norstar Operating, LLC filed a complaint against Columbia Gas. Norstar stated that Columbia Gas violated its own FERC Gas Tariff and the Natural Gas Act by refusing to accept delivery of casinghead gas from the Metzger #1-26, a new well in Ohio that is operated by Norstar, on the grounds that the gas from this well failed to meet a gas quality specification that is not set forth in Columbia's FERC Gas Tariff. Piedmont intervened on March 7, 2006. On and around March 8, Walter Oil & Gas filed an intervention and comments, NiSource intervened and submitted comments, Independent Petroleum intervened and filed comments, and Indicated Shippers filed comments. On March 9, Columbia Gas filed its intervention and answer to Norstar's complaint. On March 20, Columbia filed for leave to answer and answer to various comments filed. On April 21, 2006, the Commission issued its *Order on Complaint* wherein the Commission found that "Columbia's tariff gives it too much discretion to change its gas quality standards, and accordingly . . . the Commission requires Columbia to modify its tariff." On May 8, Norstar filed a petition for rehearing of the Commission's April 21 Order. **On May 22, Columbia filed for leave to answer and answer to the request for rehearing filed by Norstar. Also on May 22, 2006, Columbia submitted its *pro forma* tariff sheet in compliance with the Commission's April 21 Order. On May 26, Norstar filed an answer in opposition to Columbia's motion for leave to answer Norstar's request for rehearing. On June 5, 2006, Norstar filed a protest to Columbia's compliance filing. On June 5, ConEd and Orange and Rockland Utilities filed a request for a consolidated technical conference in this docket along with dockets CP98-150 *et al.*, and RP06-365. On June 5, the following parties filed protests: Dominion LDCs, Indicated Shippers, and the Cities of Charlottesville and Richmond. On June 7, 2006, *Order Granting Rehearing for Further Consideration.***

J. Tennessee Contract Changes (RP06-289). On March 31, 2006, Tennessee submitted tariff sheets to include in its Tariff a mechanism to address contract extension rights for contracts that rely on off-system capacity that is acquired by Tennessee where Tennessee does not have the unilateral right to extend its contract for such off-system capacity at the end of the contract term. Piedmont intervened on April 5, 2006. On April 12, 2006, KeySpan filed an intervention and comments. On April 27, the Commission issued its *Order Accepting Tariff Sheets, Subject to Condition.* **On May 30, 2006, Tennessee submitted its filing in compliance with the Commission's April 27 Order.**

K. Tennessee/Columbia Gulf (RP06-297). On March 31, 2006, Tennessee filed a petition for declaratory order requesting that the Commission find that: (1) Columbia Gulf Transmission Company ("Columbia Gulf") is violating the Commission's orders in RP04-215-000 by refusing to allow the installation of two taps necessary for the Commission-directed interconnection on the Blue Water Project; (2) Columbia Gulf must permit the taps to be installed and in service no later than ten days after the upstream facilities have been constructed by TGP; and (3) that Columbia Gulf's compliance with (1) and (2), is not conditioned by any other requirements. Piedmont intervened on April 26, 2006. On April 28, Columbia Gulf filed its answer to Tennessee's petition for declaratory order requesting that the petition be denied. On May 10, Tennessee filed for leave to answer and answer to Columbia Gulf's April 28 answer. **On June 7, Columbia Gulf filed a *Motion for Order Appointing Settlement Judge.***

L. Dominion Loss of Gas (RP06-316). On April 20, 2006, Dominion filed to revise its tariff in order to clarify the liability for any loss of gas in storage and customers' responsibility to ensure gas that they own. On May 2, Atlanta Gas Light, *et al.* filed an intervention and extension to file comments. The Dominion LDCs filed an intervention and protest. PSEG filed an intervention and protest. NJ Natural Gas filed an intervention and protest. NiSource filed an intervention and comments. Doswell Ltd Partnership, *et al.* filed an intervention and comments. ConEd filed an intervention and protest. UGI filed an intervention and protest. Washington Gas Light filed an intervention and protest. KeySpan filed an intervention, protest and request for rejection, or in the alternative, full statutory suspension and technical conference. Piedmont intervened on May 4, 2006. On May 8, PECO filed a late intervention and protest. On May 11, Atlanta Gas Light, *et al.* filed comments on Dominion's filing. On May 12, Dominion filed for leave to answer and answer to the protests and comments filed. **On May 19, 2006, the Commission issued its *Order on Tariff Sheets* wherein it accepted Dominion's tariff sheets but suspended them to become effective subject to refund the earlier of a date set by subsequent Commission order or October 22, 2006 and also subject to the outcome of a technical conference and further Commission orders.**

M. Transco Waiver (RP06-317). On April 24, 2006, Transco submitted a filing to add Section 31, "Waiver" to the General Terms and Conditions of its tariff. Transco states that the proposed Section 31 allows Transco to waive its rights and shippers' obligations under Transco's tariff on a not unduly discriminatory basis, in order to work with shippers to resolve unique, temporary problems that may arise from time to time. Piedmont intervened on May 4, 2006. **On May 8, KeySpan filed an intervention and request for conditions. On May 17, Transco filed**

an answer to the request for conditions of KeySpan. On May 24, 2006, the Commission issued a letter order denying KeySpan's proposed language and accepting Transco's tariff revision without condition.

V. NEW FILINGS/INTERVENTIONS

A. Transco Service Agreement Revision (RP06-356). On May 9, 2006, Transco submitted a filing to revise its Form of Service Agreement under Rate Schedule FT by inserting alternative language in Article IV that will allow the contract effective date to be determined by the later of the anticipated in-service date of a project or the date that all of the project facilities necessary to provide firm transportation service have been constructed and are ready for service. Transco proposed an effective date for these changes of June 9, 2006. Piedmont intervened on May 17, 2006. Atlanta Gas Light and Virginia Natural Gas, *et al.* filed an intervention and comments. On May 26, Transco filed an answer to the intervention and comments. A letter order was issued on June 7 accepting Transco's tariff sheets without condition.

B. Columbia Gas Gas Quality (RP06-365). On May 22, 2006, Columbia Gas submitted a filing to incorporate into its FERC Gas Tariff certain gas quality specifications that Columbia Gas has used in its meter set agreements for receipt interconnects on its pipeline system since 1996. Piedmont intervened on June 6, 2006. On June 5, ConEd and Orange and Rockland Utilities filed an intervention and protest and a request for consolidated technical conference in this docket along with dockets CP98-150 and RP06-231.

srl

Attachment

EXHIBIT__(KPM-2)

	Carolinas
Actual usage on 01/23/2003 @ 15.5° (49.5 DDD)	959,742
Less: interruptible usage	(101,322)
Total Firm	858,420
The Carolinas' Design Day is 53.5 DDD or 11.5°	
Difference between Actual and Design Day (DDD)	4.0
Estimated increase in Firm Usage per degree day	15,192
Increase in Firm usage to arrive @ design day temperature	60,769
Total Firm Starting Point	919,189
5% Reserve Margin	45,959
Total Firm with 5% Reserve	965,148

	NC - West
Actual usage on 01/23/2003 @ 15.5° (49.5 DDD)	754,986
Less: interruptible usage	(69,087)
Total Firm	685,899
The Carolinas' Design Day is 53.5 DDD or 11.5°	
Difference between Actual and Design Day (DDD)	4.0
Estimated increase in Firm Usage per degree day	12,154
Increase in Firm usage to arrive @ design day temperature	48,616
Total Firm Starting Point	734,515
5% Reserve Margin	36,726
Total Firm with 5% Reserve	771,241

	NC - East
Actual usage on 01/18/2005 @ 22.9° (42.1 DDD)	339,544
Less: interruptible usage	(91,052)
Total Firm	248,492
NCNG Design Day is 54.0 DDD or 11.0°	
Difference between Actual and Design Day (DDD)	11.9
Estimated increase in Firm Usage per degree day	4,569
Increase in Firm usage to arrive @ design day temperature	54,371
Total Firm Starting Point	302,863
5% Reserve Margin	15,143
Total Firm with 5% Reserve	318,006

	SC
Actual usage on 01/23/2003 @ 15.5° (49.5 DDD)	204,756
Less: interruptible usage	(32,235)
Total Firm	172,521
The Carolinas' Design Day is 53.5 DDD or 11.5°	
Difference between Actual and Design Day (DDD)	4.0
Estimated increase in Firm Usage per degree day	3,038
Increase in Firm usage to arrive @ design day temperature	12,153
Total Firm Starting Point	184,674
5% Reserve Margin	9,234
Total Firm with 5% Reserve	193,908

Firm Design Day Requirements Excluding Special Firm Transportation Contracts

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
North Carolina - West							
Customer growth %	2.82000%	2.82000%	2.82000%	2.82000%	2.82000%	2.82000%	2.82000%
Total Firm Usage	795,708	818,147	841,219	864,941	889,332	914,411	940,197
5% Reserve Margin	39,785	40,907	42,061	43,247	44,467	45,721	47,010
Total Firm w/ Reserve	835,493	859,054	883,280	908,188	933,799	960,132	987,207
South Carolina							
Customer growth %	1.40000%	1.40000%	1.40000%	1.40000%	1.40000%	1.40000%	1.40000%
Total Firm Usage	192,494	195,189	197,922	200,693	203,503	206,352	209,241
5% Reserve Margin	9,625	9,759	9,896	10,035	10,175	10,318	10,462
Total Firm w/ Reserve	202,119	204,948	207,818	210,728	213,678	216,670	219,703
North Carolina - East							
Customer growth %	2.52000%	2.52000%	2.52000%	2.52000%	2.52000%	2.52000%	2.52000%
Total Firm Usage	310,495	318,319	326,341	334,565	342,996	351,639	360,500
Less Muni Usage Net of Daily Balancing Needs	(37,750)	(37,750)	(37,750)	(37,750)	(37,750)	(37,750)	(37,750)
Net Firm Usage	272,745	280,569	288,591	296,815	305,246	313,889	322,750
5% Reserve Margin	13,637	14,028	14,430	14,841	15,262	15,694	16,138
Net Firm w/ Reserve	286,382	294,597	303,021	311,656	320,508	329,583	338,888
Total Carolinas							
Customer growth %	2.53546%	2.53777%	2.54022%	2.54247%	2.54478%	2.54703%	2.54930%
Total Firm Usage	1,298,697	1,331,655	1,365,482	1,400,199	1,435,831	1,472,402	1,509,938
Less Muni Usage Net of Daily Balancing Needs	(37,750)	(37,750)	(37,750)	(37,750)	(37,750)	(37,750)	(37,750)
Net Firm Usage	1,260,947	1,293,905	1,327,732	1,362,449	1,398,081	1,434,652	1,472,188
5% Reserve Margin	63,047	64,695	66,387	68,122	69,904	71,733	73,609
Net Firm w/ Reserve	1,323,994	1,358,600	1,394,119	1,430,571	1,467,985	1,506,385	1,545,797

Demand & Supply Schedule

Carolinas (Total Carolinas)

(All Values in Dt/d)

DEMAND	Winter Period:	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
System Design Day Demand [1]		1,260,947	1,294,095	1,328,119	1,363,042	1,398,889	1,435,683	1,473,452
Reserve Margin on Adjusted Demand (5%)		63,047	64,705	66,406	68,152	69,944	71,784	73,673
Firm Redelivery Contracts		17,815	17,815	17,815	17,815	17,815	17,815	17,815
Subtotal Demand		**1,341,809**	**1,376,615**	**1,412,340**	**1,449,009**	**1,486,648**	**1,525,282**	**1,564,940**
Less:								
Firm Redelivery Contracts		(17,815)	(17,815)	(17,815)	(17,815)	(17,815)	(17,815)	(17,815)
Firm Transportation Without Standby		(44,000)						
Total Demand		**1,279,994**	**1,358,800**	**1,394,525**	**1,431,194**	**1,468,833**	**1,507,467**	**1,547,125**
SUPPLY								
Firm Supplies	Days							
Transco FT	365	376,016	376,016	376,016	376,016	376,016	376,016	376,016
FT Incremental	365	6,440	6,440	6,440	6,440	6,440	6,440	6,440
FT PS Conversion	90	6,314	6,314	6,314	6,314	6,314	6,314	6,314
FT Southern Expansion	151	72,502	72,502	72,502	72,502	72,502	72,502	72,502
FT SE '94/95/96	365	129,485	129,485	129,485	129,485	129,485	129,485	129,485
FT-NT	365	13,232						
GSS Storage	55	77,475	77,475	77,475	77,475	77,475	77,475	77,475
LNG (formerly LG-A)	5	8,643	8,643	8,643	8,643	8,643	8,643	8,643
Sunbelt	365	41,400	41,400	41,400	41,400	41,400	41,400	41,400
Transco Total		731,507	718,275	718,275	718,275	718,275	718,275	718,275
Columbia Gas								
FTS	365	32,801	32,801	32,801	32,801	32,801	32,801	32,801
NTS	365	10,000	10,000	10,000	10,000	10,000	10,000	10,000
FSS/SST	59	86,368	86,368	86,368	86,368	86,368	86,368	86,368
Columbia Gas Total		129,169	129,169	129,169	129,169	129,169	129,169	129,169
Dominion - GSS [2]	60		13,000	13,000	13,000	13,000	13,000	13,000
Columbia Gas - Hardy Storage	70			39,111	58,667	68,835	68,835	68,835
East Tennessee - FT [3]		25,000	45,000	45,000	45,000	45,000	45,000	45,000
Firm Supplies Total		**885,676**	**905,444**	**944,555**	**964,111**	**974,279**	**974,279**	**974,279**
Peaking Supplies								
LNG - local	10	188,000	188,000	188,000	188,000	188,000	188,000	188,000
Pine Needle	10	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Pine Needle	10	248,400	248,400	248,400	248,400	248,400	248,400	248,400
Peaking Supplies Total		**451,400**	**451,400**	**451,400**	**451,400**	**451,400**	**451,400**	**451,400**
Subtotal Supply		**1,337,076**	**1,356,844**	**1,395,955**	**1,415,511**	**1,425,679**	**1,425,679**	**1,425,679**
Adjustments:								
Long-Term Capacity Release		**(13,232)**						
Short-Term Capacity Release		**(49,000)**						
Projected Release		**0**						
Line Pack - eastern part of system	1	**15,000**						
Total Supply		**1,289,844**	**1,356,844**	**1,395,955**	**1,415,511**	**1,425,679**	**1,425,679**	**1,425,679**
Surplus(Deficit)		**9,850**	(1,956)	**1,430**	(15,683)	(43,154)	(81,788)	(121,446)

1/ System Design Day Demand estimates for 2004-05 and beyond are as of August 2005

2/ Dominion GSS will be delivered using Transco FT-NT capacity.

3/ East Tennessee will redeliver quantities taken off TETCO for 2005-06, and redeliver quantites taken off TETCO & Midwestern starting in 2006-07

EXHIBIT__(KPM-3)

North Carolina - West
Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days **0.0**

		Current Forecast						
	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011		
Customers								
Rate 21- Standard SU	193,951	199,770	205,763	211,936	218,294	224,843		
Rate 01 - Value SU	197,167	203,082	209,174	215,449	221,912	228,569		
Rate 01 - Value MU	18,962	19,531	20,117	20,721	21,343	21,983		
Rate 21 - Standard MU	30,692	31,613	32,561	33,538	34,544	35,580		
Rate 02 standard	35,467	35,893	36,324	36,760	37,201	37,647		
Rate 32 Value	12,068	12,213	12,360	12,508	12,658	12,810		
Rate 52 standard	87	88	89	90	91	92		
Rate 62 Value	278	281	284	287	290	293		
Rate 42 - MF	9	9	9	9	9	9		
Rate 103	31	31	31	31	31	31		
Rate 113	145	145	145	145	145	145		
Total Customers	488,681	502,480	516,681	531,298	546,342	561,826		
							12-Months Ending 3/06	
Firm Base Load Requirements Excluding Special Contracts (DTs)							Heat Factor	Base Factor
Rate 21- Standard SU	4,482	4,617	4,755	4,898	5,045	5,196	0.01405	0.02311
Rate 01 - Value SU	13,098	13,491	13,895	14,312	14,742	15,184	0.01683	0.06643
Rate 01 - Value MU	1,085	1,118	1,151	1,186	1,221	1,258	0.00845	0.05722
Rate 21 - Standard MU	636	655	675	695	716	738	0.00736	0.02073
Rate 02 standard	2,207	2,233	2,260	2,287	2,315	2,342	0.06790	0.06222
Rate 32 Value	15,653	15,841	16,032	16,224	16,418	16,616	0.04937	1.29708
Rate 52 standard	207	209	211	214	216	219	2.33730	2.37628
Rate 62 Value	6,443	6,513	6,582	6,652	6,721	6,791	0.59890	23.17738
Rate 42 - MF	34	34	34	34	34	34	0.00000	3.78534
Rate 103	2,161	2,161	2,161	2,161	2,161	2,161	2.00208	69.70959
Rate 113	17,841	17,841	17,841	17,841	17,841	17,841	1.77876	123.04257
Co Use & Unacct	830	841	853	865	877	889	1.30%	
Requirements	64,677	65,554	66,450	67,369	68,307	69,269		
Reserve Margin(5%)	3,234	3,278	3,323	3,368	3,415	3,463		
Total Demand	67,911	68,832	69,773	70,737	71,722	72,732		

North Carolina - East

Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days **0.0**

		Current Forecast				
	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011
Customers						
Rate 21- Standard SU	66,678	68,678	70,738	72,860	75,046	77,297
Rate 01 - Value SU	47,998	49,438	50,921	52,449	54,022	55,643
Rate 01 - Value MU	391	403	415	427	440	453
Rate 21 - Standard MU	120	124	128	132	136	140
Rate 02 standard	10,599	10,726	10,855	10,985	11,117	11,250
Rate 32 Value	5,062	5,123	5,184	5,246	5,309	5,373
Rate 52 standard	21	21	21	21	21	21
Rate 62 Value	100	101	102	103	104	105
Rate 42 - MF	0	0	0	0	0	0
Rate 103	19	19	19	19	19	19
Rate 113	75	75	75	75	75	75
Ft. Bragg	1	1	1	1	1	1
Pilkington	1	1	1	1	1	1
Municipalities	4	4	4	4	4	4
Total Customers	131,069	134,714	138,464	142,323	146,295	150,382

Firm Base Load Requirements Including Military, Float Glass, & Municipalities (DTs)	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011	12-Months Ending 3/06 Heat Factor	12-Months Ending 3/06 Base Factor
Rate 21- Standard SU	1,828	1,883	1,940	1,998	2,058	2,119	0.01425	0.02742
Rate 01 - Value SU	2,111	2,175	2,240	2,307	2,376	2,448	0.01791	0.04399
Rate 01 - Value MU	13	13	14	14	14	15	0.00373	0.03256
Rate 21 - Standard MU	3	3	3	4	4	4	0.00588	0.02653
Rate 02 standard	2,119	2,145	2,170	2,196	2,223	2,249	0.05585	0.19995
Rate 32 Value	6,884	6,967	7,050	7,134	7,220	7,307	0.03477	1.35987
Rate 52 standard	172	172	172	172	172	172	2.05585	8.19886
Rate 62 Value	3,115	3,146	3,177	3,209	3,240	3,271	0.26642	31.15112
Rate 42 - MF	0	0	0	0	0	0	0.00000	0.00000
Rate 103	2,043	2,043	2,043	2,043	2,043	2,043	0.00000	107.50423
Rate 113	10,626	10,626	10,626	10,626	10,626	10,626	0.88976	141.67754
Ft. Bragg	2,631	2,631	2,631	2,631	2,631	2,631	120.24338	2,631.01584
Pilkington	8,532	8,532	8,532	8,532	8,532	8,532	0.00000	8,532.10438
Municipalities	7,731	7,731	7,731	7,731	7,731	7,731	374.29167	1,932.86996
Co Use & Unacct	622	625	628	632	635	639	1.30%	
Requirements	48,430	48,692	48,957	49,229	49,505	49,787		
Reserve Margin(5%)	2,422	2,435	2,448	2,461	2,475	2,489		
Total Demand	50,852	51,127	51,405	51,690	51,980	52,276		

South Carolina
Firm Base Load Requirements Excluding Special Firm Transportation Contracts

Daily Degree Days **0.0**

		Current Forecast				
	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011
Customers						
Rate 21- Standard SU	57,002	58,712	60,473	62,287	64,156	66,081
Rate 01 - Value SU	44,533	45,869	47,245	48,662	50,122	51,626
Rate 01 - Value MU	5,167	5,322	5,482	5,646	5,815	5,989
Rate 21 - Standard MU	5,219	5,376	5,537	5,703	5,874	6,050
Rate 02 standard	10,280	10,403	10,528	10,654	10,782	10,911
Rate 32 Value	3,623	3,666	3,710	3,755	3,800	3,846
Rate 52 standard	23	23	23	23	23	23
Rate 62 Value	84	85	86	87	88	89
Rate 42 - MF	2	2	2	2	2	2
Rate 103	7	7	7	7	7	7
Rate 113	41	41	41	41	41	41
Total Customers	125,981	129,506	133,134	136,867	140,710	144,665

Firm Base Load Requirements Excluding Special Contracts (DTs)	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011	12-Months Ending 3/06 Heat Factor	12-Months Ending 3/06 Base Factor
Rate 21- Standard SU	1,069	1,101	1,134	1,169	1,204	1,240	0.01344	0.01876
Rate 01 - Value SU	2,850	2,935	3,023	3,114	3,207	3,304	0.01658	0.06399
Rate 01 - Value MU	316	326	335	345	356	366	0.00736	0.06119
Rate 21 - Standard MU	112	116	119	123	126	130	0.00732	0.02152
Rate 02 standard	602	609	617	624	632	639	0.05576	0.05857
Rate 32 Value	5,027	5,086	5,147	5,210	5,272	5,336	0.04104	1.38745
Rate 52 standard	123	123	123	123	123	123	2.37982	5.36292
Rate 62 Value	2,077	2,102	2,126	2,151	2,176	2,201	0.48258	24.72628
Rate 42 - MF	7	7	7	7	7	7	0.04319	3.31326
Rate 103	431	431	431	431	431	431	2.93350	61.62693
Rate 113	4,595	4,595	4,595	4,595	4,595	4,595	0.48396	112.06775
Co Use & Unacct	224	227	230	233	236	239	1.30%	
Requirements	17,433	17,658	17,887	18,125	18,365	18,611		
Reserve Margin(5%)	872	883	894	906	918	931		
Total Demand	18,305	18,541	18,781	19,031	19,283	19,542		

Total Carolinas (NC East, NC West, SC)
Firm Base Load Requirements Excluding Special Firm Transportation Contracts

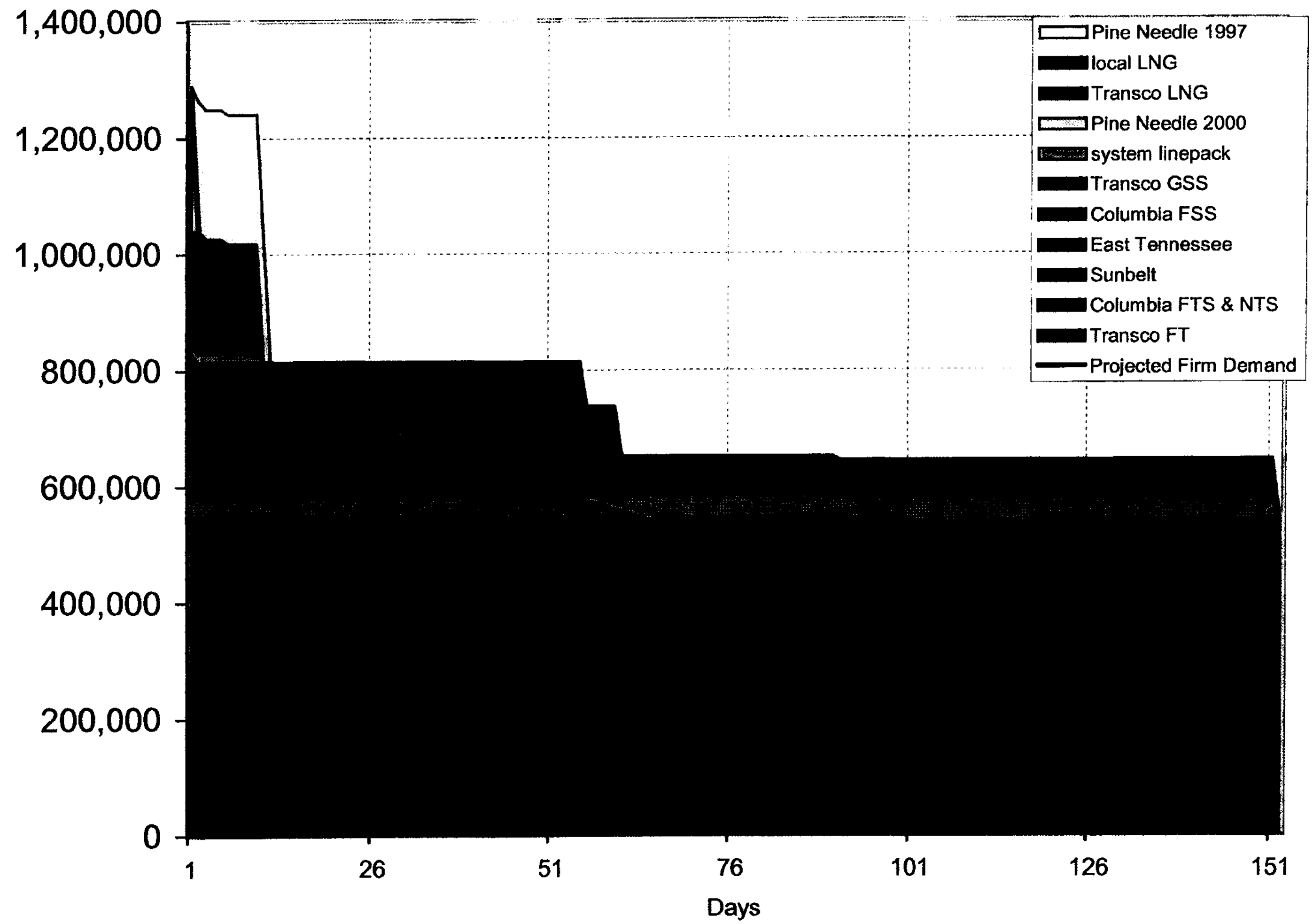
Daily Degree Days **0.0**

		Current Forecast				
	Jan 2006	Jan 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011
Customers						
Rate 21- Standard SU	317,631	327,160	336,974	347,083	357,496	368,221
Rate 01 - Value SU	289,698	298,389	307,340	316,560	326,056	335,838
Rate 01 - Value MU	24,520	25,256	26,014	26,794	27,598	28,425
Rate 21 - Standard MU	36,031	37,113	38,226	39,373	40,554	41,770
Rate 02 standard	56,346	57,022	57,707	58,399	59,100	59,808
Rate 32 Value	20,753	21,002	21,254	21,509	21,767	22,029
Rate 52 standard	131	132	133	134	135	136
Rate 62 Value	462	467	472	477	482	487
Rate 42 - MF	11	11	11	11	11	11
Rate 103	57	57	57	57	57	57
Rate 113	261	261	261	261	261	261
Ft. Bragg	1	1	1	1	1	1
Pilkington	1	1	1	1	1	1
Municipalities	4	4	4	4	4	4
Total Customers	745,907	766,876	788,455	810,664	833,523	857,049

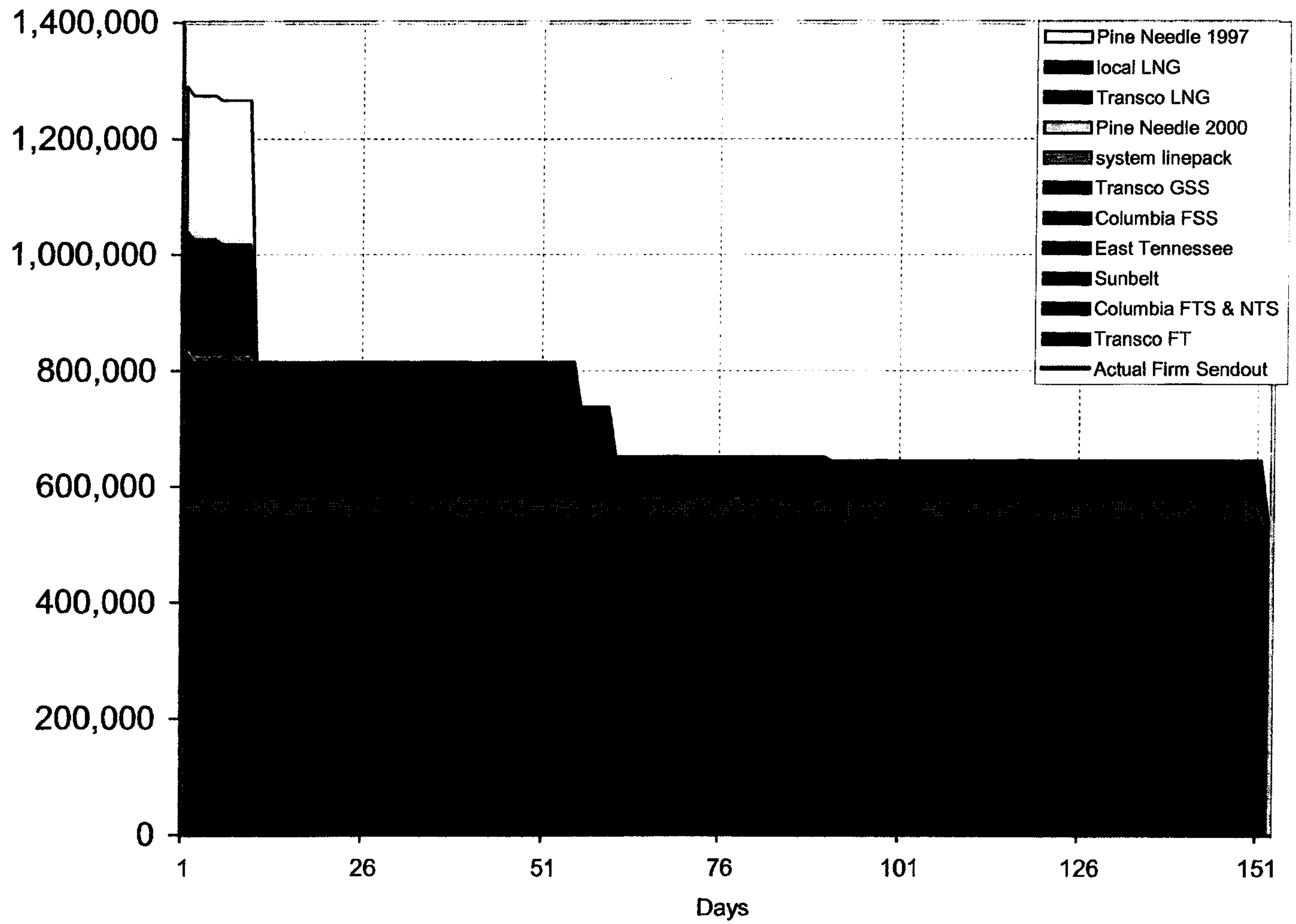
Firm Base Load Requirements Excluding Special Contracts (DTs)						
Rate 21- Standard SU	7,379	7,601	7,829	8,065	8,307	8,555
Rate 01 - Value SU	18,059	18,601	19,158	19,733	20,325	20,936
Rate 01 - Value MU	1,414	1,457	1,500	1,545	1,591	1,639
Rate 21 - Standard MU	751	774	797	822	846	872
Rate 02 standard	4,928	4,987	5,047	5,107	5,170	5,230
Rate 32 Value	27,564	27,894	28,229	28,568	28,910	29,259
Rate 52 standard	502	504	506	509	511	514
Rate 62 Value	11,635	11,761	11,885	12,012	12,137	12,263
Rate 42 - MF	41	41	41	41	41	41
Rate 103	4,635	4,635	4,635	4,635	4,635	4,635
Rate 113	33,062	33,062	33,062	33,062	33,062	33,062
Ft. Bragg	2,631	2,631	2,631	2,631	2,631	2,631
Pilkington	8,532	8,532	8,532	8,532	8,532	8,532
Municipalities	7,731	7,731	7,731	7,731	7,731	7,731
Co Use & Unacct	1,676	1,693	1,711	1,730	1,748	1,767
Total Requirements	130,540	131,904	133,294	134,723	136,177	137,667
Reserve Margin(5%)	6,527	6,595	6,665	6,736	6,809	6,883
Total Demand	137,067	138,499	139,959	141,459	142,986	144,550

EXHIBIT__(KPM-4)

2005-06 Load Duration Curve
Design Winter Season for Total Carolinas
Firm Capacity and Forecasted Demand

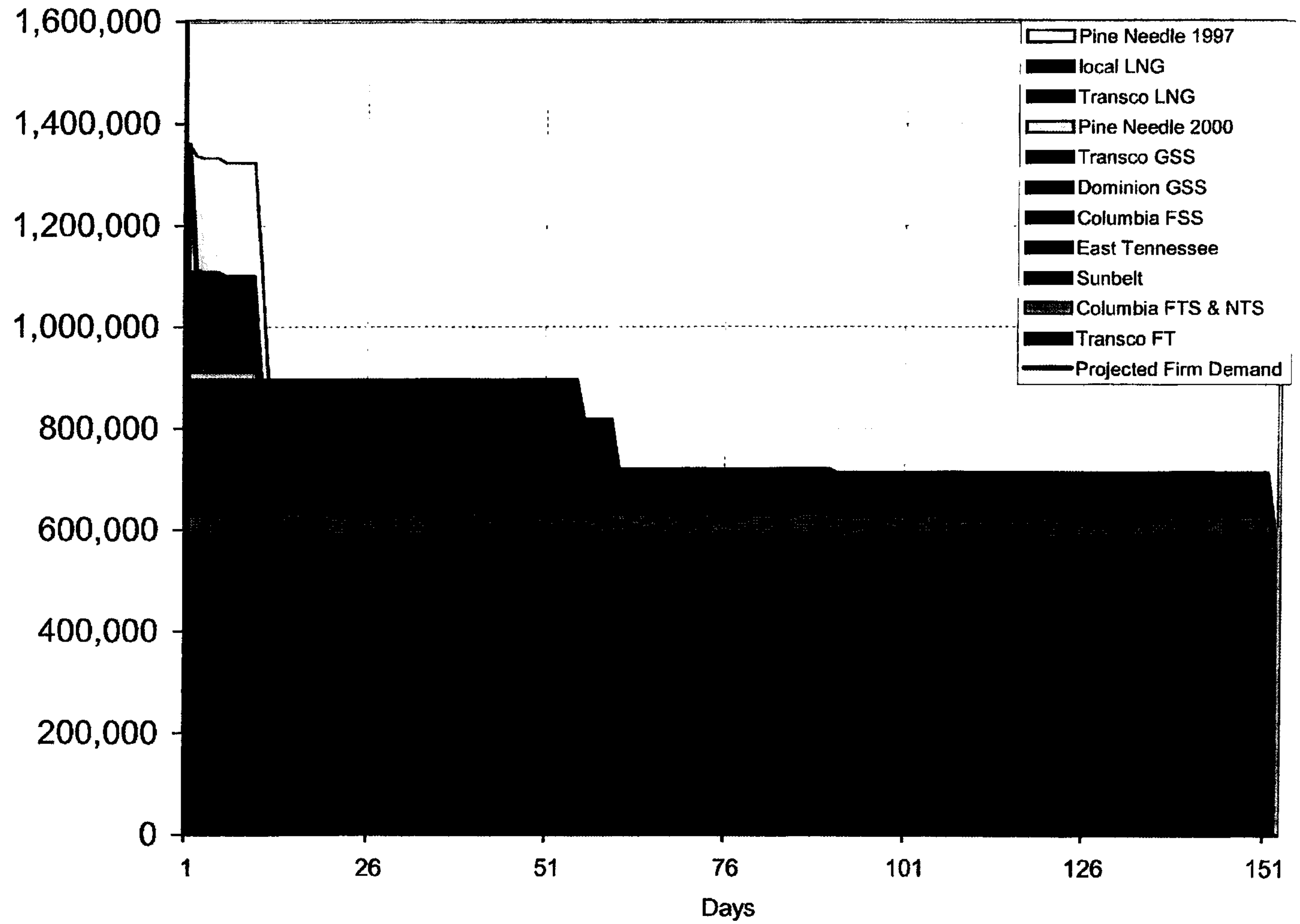


2005-06 Load Duration Curve
Design Winter Season for Total Carolinas
Firm Capacity and Actual Firm Sendout



EXHIBIT__(KPM-5)

2006-07 Load Duration Curve
Design Winter Season for Total Carolinas
Firm Capacity and Forecasted Demand



CERTIFICATE OF SERVICE

The undersigned hereby certifies that five copies of the attached *Testimony and Exhibits of Keith P. Maust on Behalf of Piedmont Natural Gas Company, Inc.* are being served this date via UPS Overnight upon:

Jeffrey M. Nelson, Counsel
Office of Regulatory Staff
1441 Main Street
Suite 300
Columbia, South Carolina 29201

And that one copy of the attached *Testimony and Exhibits of Keith P. Maust on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via UPS Overnight upon:

Scott Elliott
Elliott & Elliott, PA
721 Olive Street
Columbia, South Carolina 29205

And that one copy of the attached *Testimony and Exhibits of Keith P. Maust on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date via U.S. Mail upon:

Jane Lewis-Raymond
Vice President & General Counsel
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

David Carpenter
Managing Director Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

This the 21st day of June, 2006.

James H. Jeffries IV